



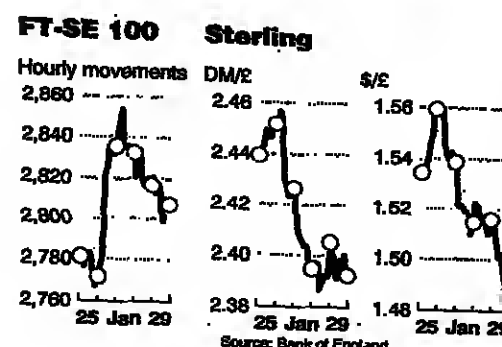
FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JANUARY 30/JANUARY 31 1993

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Sterling tumbles below \$1.50 to hit six-year low



Sterling fell below \$1.50 yesterday to hit a six-year low against the dollar as international investors shied away from the pound in the wake of Tuesday's surprise 1-point bank base-rate cut. It also weakened against the D-Mark.

Equities soared after the rate cut as borrowing costs fell to their lowest level since 1977 before profit-taking and the prospect of rights issues pared gains. The FT-SE 100 dropped 9.7 to 2,807.2, but gained 26 over the week. Currencies, Page 11; London stocks, Page 12; Editorial Comment, Page 6; Lex, Page 22; Markets, Weekend, Page 11.

PM's export plea: John Major appealed to British business to seize the chance presented by the UK's low interest rate and inflation levels and make the most of export opportunities. Page 22; Major's fresh theme, Page 4; Hat-trick for BAe, Page 7; Lex, Page 22.

Banks cut loan rates: Midland Bank and its telephone banking arm Firstdirect have cut savings rates by more than their mortgage rates in the wake of this week's 1-point base-rate cut. Together with Lloyds they did not pass on the full base-rate reduction to mortgage holders. Page 22; Serious Money, Weekend FT, Page 11.

Bosnia's last chance: Bosnia peace mediators Cyrus Vance and Lord Owen will ask the three warring Bosnian factions today for a final decision on an internationally brokered peace plan. The Bosnian Muslims oppose many provisions. Page 2; Croat dam threat, Page 2.

Homosexual ban eased: The US armed forces is to stop asking recruits their sexual orientation during a six-month policy review aimed at ending the 50-year military ban on homosexuals.

Uruguay Round delay: A Uruguay Round world trade pact cannot be completed before a US deadline for congressional acceptance runs out on March 1, Arthur Dunkel, chief of the General Agreement on Tariffs and Trade, said. World economic forum reports, Page 2; Japan penalises China, Page 22.

Mobile phone scares: US cellular phone company shares have sunk this week because of uncorroborated claims linking use of the mobile phones to brain cancer. Page 10.

Public investment to drop: Public-sector investment is set to fall in real terms in the 1993-94 financial year despite government pledges to protect capital spending. Page 5.

Japanese paper merger: Oji Paper, Japan's biggest paper company, and Kanazaki Paper, the fifth-largest, are to merge in one of Japan's largest industrial deals creating a group with a market capitalisation of about ¥630bn (£34bn). Page 10.

Moskovich shuts: The Moskovich car plant, one of the giants of Russian industry, has shut because of a shortage of parts and funds. Page 2.

Xerox announced: strong fourth-quarter growth in its document-processing business while reporting a \$1bn (£900m) net loss for 1992. Page 10.

Soccer club survives: A winding-up order against Hartlepool United Football Club, which faced a demand for payment of £283,607 debts, was rescinded by a High Court judge.

War warning for South Africa: President F.W. de Klerk said "devastating war" would erupt in South Africa if talks on a post-apartheid constitution failed. Page 3.

Chess cheques: Nigel Short will be closer to becoming Britain's first chess millionaire when he faces Dutch champion Jan Timman today. Short, 7-5 ahead in their 14-game series, needs a draw to challenge Russian Garry Kasparov for the world title. Page 5.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,807.2 (-0.7)	New York lunchtime	1,485.5
Yield	4.35	London	1,487 (1.5185)
FT-SE Eurotrack 100	1,878.18 (+0.8)	DM	2,382.5 (2.405)
FT-AF Share	1,364.33 (-0.3)	FF	8,097.5 (8.1425)
Nikkei	17,823.78 (-0.5)	Sfr	2.21 (2.215)
New York lunchtime	1,485.5	Y	185.5 (188.25)
Dow Jones Ind Ave	3,302.73 (-3.52)	£ index	78.2 (78.5)
S&P Composite	437.26 (-1.46)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	3%	New York lunchtime	1,485.5
3-mo Treas Bill	2.862%	DM	1,611.5
Long Bond	104%	FF	5,453.5
Yield	7.22%	Sfr	1,488
		Y	125.885
LONDON MONEY		NORTH SEA OIL (Argus)	
3-mo Interbank	6.5% (6.5%)	Brent 15-day (Mar)	\$18.475 (same)
Little long oil future	Mar 1993 (Mar 10%)		
		Gold	
		New York Comex (Apr)	\$330.7 (330.5)
		London	\$330.35 (330.15)
		Tokyo close Y 124.3	

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France sends troops to Zaire after army mutiny

By Julian Ozzanne in Nairobi

MUTINOUS TROOPS rampaged through Kinshasa for the second day running yesterday as French paratroops entered Zaire from neighbouring Congo to help evacuate French nationals.

The streets of Kinshasa were strewn with corpses after elite troops loyal to President Mobutu Sese Seko, using heavy weapons and grenades, continued to hunt mutineers and civilian looters.

Mr Willy Claes, Belgian foreign minister, said the situation was

deteriorating and there appeared to be a "confrontation in the heart of the army" and growing signs of tribal warfare among civilians which had caused widespread public panic.

The explosion of violence for a third time in 17 months in Zaire's capital brought black Africa's second largest country closer to economic collapse and a civil war which could spill over into neighbouring states, including Angola, Zambia and Uganda.

Earlier yesterday Mr Pierre Joxe, the French foreign minis-

ter, accused Zairean troops of deliberately killing the French ambassador, Mr Philippe Barard, 51, on Thursday evening. "It was not a stray bullet as the first agency reports said," he added.

Diplomats said more than 100 French civilians were believed to have taken refuge in the French Embassy residence, near the Congo River, which divides Zaire from Congo. Belgium said it was also sending troops in to evacuate its 3,000 nationals.

The Brussels office of the inter-

national medical charity Médecins sans Frontières (MSF) said its workers in Kinshasa reported "many deaths" and saw streets in some areas "scattered with bodies", most of them in uniform.

There was no official death toll from the worst rioting in Zaire since September 1991 when at least 250 people were killed in an army mutiny. However, MSF said it knew of 45 dead and 131 wounded in Kinshasa.

Soldiers firing automatic weapons randomly have gutted downtown shops and homes, plun-

dered supermarkets, hijacked cars and stolen money from civilians at gunpoint. Terrified civilians stayed at home while some wealthy Zaireans were trying to flee the country in private aircraft and across the Zaire River.

Troops loyal to President Mobutu, who has ruled Zaire since he seized power in a CIA-backed military coup in 1965, fought fierce street battles with grenades and armoured vehicles to put down the mutiny.

The army's Kokolo camp in Kinshasa, where the infantry-led

mutiny began, was completely encircled by loyal troops yesterday, as was the office of reformist Prime Minister Etienne Tshisekedi. No word has been heard from Mr Tshisekedi or his key ministers since Thursday.

Violence erupted among soldiers after the introduction of 5m-zaire banknotes. The notes, issued by the pro-Mobutu Central Bank to settle a two-month payroll for the military and civil service, are almost worthless.

Anarchy threatens region, Page 3

Clinton promotes early US recovery plan to boost jobs

By Michael Prowse in Washington

THE CLINTON administration indicated yesterday that it wanted to press ahead with an immediate recovery package because the economic turnaround had failed to feed through to the jobs market.

A White House spokeswoman said President Bill Clinton remained concerned that this was "a recovery without job growth".

Fresh evidence of accelerating growth in the US emerged yesterday, with a surge in new orders for US durable goods, up 9.1 per cent between November and December, according to the Commerce Department.

The administration welcomed the figures but indicated that it intended to press ahead with an early stimulus package.

Mr Leon Panetta, the budget director, said he saw "continuing weakness" in the economy that would justify a short-term stimulus to create jobs "between now and the summer".

"We do not want another dou-

ble dip," he said. President Clinton is at Camp David this weekend to discuss strategy with cabinet officials and senior advisers. The administration seems

likely to press for quick congressional approval of a modest stimulus package based on increased public works spending and an extension of unemployment benefits. The spending might be financed with about \$20bn in uncommitted funds for the current financial year.

A long-term deficit-cutting package and tax incentives to spur investment may be postponed until mid-summer or later. President Clinton has never laid out a precise timetable for his economic strategy. But financial markets had expected him to enact a deficit-cutting plan at the same time as he unveiled a short-term stimulus.

The surge in durable goods orders was one of the largest on record and well above Wall Street projections of a rise of about 3 per cent. Durable goods orders rose 4.1 per cent in 1992 as a whole and are now at their highest level since the end of 1988.

Separate figures showed a 1 per cent increase in personal disposable incomes between November and December. However, officials pointed out that this partly reflected special factors including large bonuses in the securities industry to avoid higher taxes under the new administration.

Excluding special factors, personal incomes rose about 0.3 per cent after a 0.5 per cent increase in November.

The surge in orders was led by an extraordinary 21 per cent increase in orders for transport equipment and thus probably overstated the economy's underlying strength. However, economists noted that the recovery of orders was broadly-based with every industrial sector registering handsome gains. Excluding transport, orders were up 5.5 per cent last month.

Private finance likely for second Forth toll bridge

By Andrew Taylor and James Buxton

PLANS FOR a £300m privately-financed road toll bridge crossing the Forth near Edinburgh are expected to be announced by the government next week.

The crossing, which will be adjacent to the existing toll bridge, will form part of a package of public and private sector measures to ease traffic congestion in the region and improve connections between the north and south of Scotland.

The proposals are expected to include the construction of a dedicated bus route between Edinburgh airport and the city centre involving private and public money. It will be the first large investment in infrastructure to take advantage of the easing of rules, announced in the Autumn Statement, restricting the use of public subsidies to support commercial projects.

Companies and investors prepared to finance, build and operate a new bridge across the Forth will be asked, as a first step, to register an interest with the Scottish Office.

The crossing, together with approach roads costing an additional £100m, is likely to be funded entirely by the private sector. The total cost of the bridge and roads, including finance charges, could rise as high as £800m. In return, the pri-

vate company would take over the Forth road bridge at Queensferry, where cars at present are charged 40p to cross. This would enable the operators to generate income while the new crossing was being built.

The capacity of the existing bridge, built in 1964 to carry 14,000 vehicles a day, is expected to be exhausted by the beginning of the next century. More than 50,000 vehicles a day crossed it on more than 100 days last year.

The crossing, which is operated by Lothian and Fife regional councils, is due to repay its capital debt next year although tolls had been expected to continue on the bridge to pay for maintaining and strengthening it.

The scheme for a new bridge is the latest in a growing number of private sector infrastructure projects promoted by the government. These have attracted considerable interest from continental European toll road operators and construction companies as well as British groups.

Privately financed schemes completed or underway include a new toll bridge across the River Thames at Dartford, a bridge across the River Severn between England and Wales, the Birmingham Northern Relief Road and a toll bridge connecting the island of Skye with the mainland. All, apart from the Dartford crossing, involve British companies in partnership with continental European groups.

Burton in £163m cash call to fund face-lift

By Peggy Hollinger

BURTON GROUP, the clothing retailer, yesterday became the sixth UK company this week to launch a rights issue, with a call on shareholders for £163m.

The company wants the cash to reduce its £324.6m net debt and finance a face-lift for most of its 1,800 stores.

The announcement brings the total sought from shareholders this week to £714m, including a £347m issue from Asda, the supermarket chain, and a £144m cash call from Wessex Water.

Burton's one-for-four rights issue at 60p is its second call on shareholders in 19 months. The previous £161m share issue, one-for-one at 30p, rescued the group after huge writedowns in its property portfolio.

Mr John Hoerner, chief executive, said yesterday: "The last one was damage repair. This one makes it possible for us to explore opportunities." Mr Hoerner was promoted a year ago from Burton's Debenhams department store chain to lead the group's revival.

Mr Steve Oldfield, an analyst with Smith New Court, said the issue would "provide the financial foundation to develop a store base which will provide recovery. I think they have timed it very

Continued on Page 22
London shares, Page 11
Outlooker, Weekend II



Work station: the UK's new ambassador to France at the Dover entrance of the Channel tunnel yesterday, about to become the first British envoy to travel to an overseas post without leaving solid ground. Sir Christopher Mallaby travelled on a cramped and grimy works train through the 30-mile long unfinished tunnel in 3hr 40min

MPs seek boost in market to save mines at risk

By David Owen and Alison Smith

THE GOVERNMENT last night faced a delicate political balancing act after a cross-party committee of MPs recommended measures to secure the future of more than half the 31 threatened coal pits.

The trade and industry select committee's proposals would increase the annual market for deep-mined British coal by 16m tonnes or more for five years at a cost of about £500m.

This would be achieved mainly by postponing liberalisation of the domestic electricity market until 1998 and subsidising the extra output so that it could be sold at world prices.

Barring reform, domestic coal consumption by electricity generators is set to fall to 40m tonnes in 1993-94 and 30m tonnes thereafter.

The report is certain to increase pressure on the government as it prepares its own solution to the pit crisis, to be released as a white paper within two weeks. In effect, it leaves cabinet ministers - still smarting from October's retreat - to decide how far below the committee's bottom-line figure the government dare pitch its own proposals, without risking defeat in the Commons.

Continued on Page 22
Background, Page 6
Editorial Comment, Page 6

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THE FINANCIAL TIMES LIMITED 1993 No 31,976 Week No 4 LONDON • PARIS • FRANKFURT • NEW YORK • TOKYO

NEWS: INTERNATIONAL

Last chance for Bosnia peace talks

By Robert Mauthner, Diplomatic Editor

BOSNIA'S three warring factions will be asked by mediators today for a final decision on an internationally brokered peace plan, in spite of the fact that Bosnian Muslims oppose many of its provisions.

The co-chairmen of the Geneva peace conference, Mr Cyrus Vance and Lord Owen, have made clear that they are not prepared to extend the negotiations indefinitely and that they will give the three Bosnian groups one more chance to say "yes" or "no" to face-to-face talks today.

Failing a favourable reply to their proposals, which include a constitutional framework, a map of the 10 provinces into which Bosnia will be divided and ceasefire arrangements, the mediators have said they would ask the United Nations Security Council to impose a settlement.

In a television interview yesterday Lord Owen said he was confident that "at the end of the day" an agreement would be reached. "We may not reach it totally here (in Geneva), but if not, we'll reach it in New York."

Lord Owen said he and Mr Vance would report to the UN Security Council after today's meeting and might press for sanctions against any side blocking the accord.

Mr Haris Silajdzic, the Bosnian Muslim foreign minister, poured cold water on hopes that an overall agreement might be reached today, following the progress made towards an agreement on transitional arrangements for the administration of Bosnia between the application of a ceasefire and the implementation of a new constitution.

Under the interim arrangements, a nine-member body composed of three representatives from each ethnic group would take over from Bosnia's elected presidency after a ceasefire.

However, Mr Silajdzic said his government could not accept either the Vance-Owen package because the Muslims considered that it would lead to the ethnic division of the country and was tantamount to rewarding Serb aggression or the interim power-sharing arrangements.

"We, as a member of the United Nations will never accept the abolition of our constitution, our legality, which is based on free and democratic elections," Mr Silajdzic said.

The Bosnian Croats are the only ones who have so far accepted the whole Vance-Owen package, but the Bosnian Serbs are expected to endorse it today. It was not certain last night whether the Bosnian Muslims would bow to pressure by the mediators.

Battle to avert Croat dam disaster

By Laura Silber in Belgrade

WATER was pouring through the crippled Peruca dam in Croatia yesterday as engineers struggled to prevent the homes of 20,000 villagers from being washed away.

Croatian engineers were preparing a controlled drainage of the 12-mile-long reservoir to relieve pressure on the damaged dam wall, Mr Tonci Caracic, a Croatian scientist, said yesterday.

Croats and Serbs yesterday traded accusations about who caused the three gaping holes in the 63-metre-high dam, 40km north-east of the Adriatic port of Split.

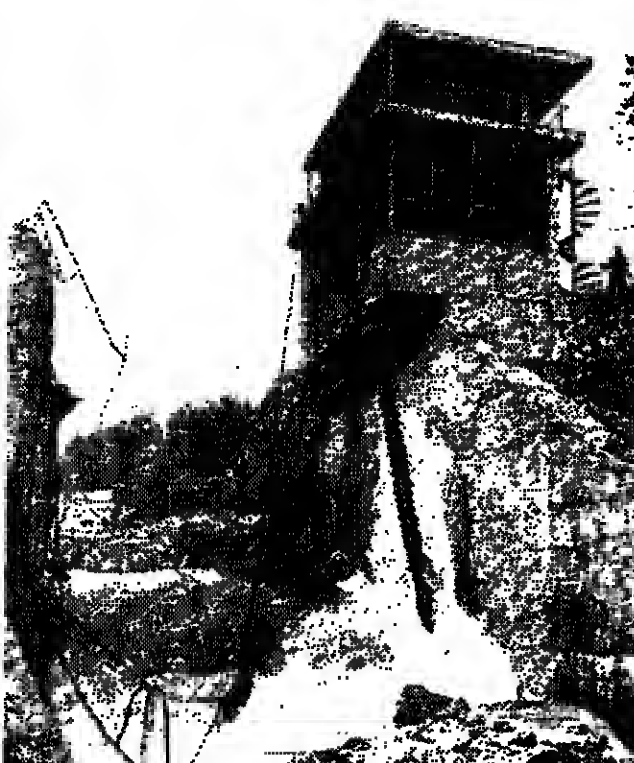
The dam was seized on Thursday night by Croat forces on the seventh day of their offensive, breaking through a year-old United Nations ceasefire line.

UN officials said the dam was not in immediate danger of collapsing, had not received a direct hit and was not fired at.

Engineers warned that the entire reservoir, 500m cubic metres of water, might have to be drained to avert the danger of flooding 20 villages downstream from the dam.

On an emergency visit to Peruca, Mr Hrvje Sarinac, the Croatian prime minister, yesterday accused Serb fighters of trying to blow up the dam to make sure it would be out of operation before they were forced to pull back. "The catastrophe was narrowly averted, thanks to quick action by the Croat forces," reported Croatian radio.

Witnesses said the sluice gates had been blasted away and the control room was a "twisted hunk of metal". But Serb leaders in Knin, the



Water pours through a destroyed sluice gate in the Peruca dam

nearby centre of self-proclaimed state of Krajina, yesterday lashed out at Croatia for "attempting to cause an ecological catastrophe".

"Croatia is trying to make it seem as if the wild Serbs tried to explode the dam. But they have jeopardised thousands of people's lives in their botched attempt to mine the dam," said Mr Boro Martinovic, a minister in the self-styled government.

As local crisis centres prepared for the possible evacuation of villagers, Croatian radio warned citizens not to panic.

Serb fighters seized Peruca during the seven-month Serbo-

Croat war in 1991 and mined the dam, which provides electricity for much of central and southern Dalmatia.

President Franjo Tudjman of Croatia yesterday staged a triumphal tour of the frontline region of Lika. In a letter to the European Community, he pledged that Croatia would abide by the UN resolution demanding the offensive be halted, reported Croatian radio.

On the eighth day of clashes, he said Croat forces had achieved their goal, when they secured the vital Maslenica bridge which joins central Croatia with the Adriatic coast.



A Serbian ship, carrying oil, has again defied Romanian and Bulgarian controls on the Danube and passed into Serbian waters breaking the UN embargo, the Romanian Foreign Ministry said yesterday, writes Virginia Marsh in Bucharest.

The Velesit was the third Serbian tugboat pushing barges of oil loaded in a Ukrainian port of Reni, along the Danube, to break the embargo in the past three days.

Romanian coastguards said Romanian and Bulgarian motor boats had circled the Velesit for two hours yesterday but had backed off when the tug nearly collided with one of their boats. Two more tug boats, following not far behind, were last night also expected to try to reach the Serbian port of Frazhovo.

Despite continuing US pressure to stop the ships, Romania yesterday repeated it was unwilling to take further action alone. Romania was particularly concerned at the ecological consequences of any conflict with the ships. The captain of one tugboat threatened to blow up or discharge his cargo into the river, polluting the sole water supply of many ports, rather than surrender.

French want EC probe into Hoover

By David Buchan in Paris and Robert Taylor, Labour Correspondent

FRANCE is to ask the European Commission to investigate whether Hoover may be breaching European Community law in apparently using pension fund money to invest in a Scottish plant which is drawing jobs away from France.

The domestic appliance group denies breaking any EC rules. Hoover's announcement this week that it was closing its vacuum cleaner factory in the Dijon region, and switching production to Cambuslang near Glasgow has caused a political storm in France, where the Socialist government faces record unemployment two months away from a general election.

Mrs Elisabeth Guigou, France's EC affairs minister, said yesterday a key factor in Hoover's decision appeared to be the company's ability to put pension fund money into the expansion of its Cambuslang plant. If this was true, she said it would be contrary to a 1980 EC directive.

This directive, a French official said, is designed to protect workers in the event of their companies going bankrupt. It includes provisions to "prevent pension funds being taken hostage" by companies, he said. "If one day Hoover were to go bankrupt, then this pension fund money might disappear."

Hoover said last night that it had reached agreement with its British workforce on the future of the company's UK pension fund. This is £28m in surplus. Under the proposed deal with the workforce the surplus would be reallocated.

Hoover said the pension fund agreement had not yet been approved by the Inland Revenue but would involve dividing up the surplus. He said 53 per cent would be returned to the workers in improved benefits, 19 per cent would go to the Inland Revenue, and 28 per cent recovered by the company.

Reallocating company pension fund surpluses is lawful in Britain and Hoover does not believe it breaches EC rules.

Concessions made by Scottish workers to woo the Hoover investment have angered French trade unions. They accuse Britain, which refused to accept the full social provisions of the Maastricht treaty, of allowing "social dumping". This refers to undercutting labour standards to attract foreign investment.

The French government has instructed its EC ambassador to ask the Commission to inquire into possible "distortion of competition" within the EC single market, as a result of the Scottish Office's aid to Hoover.

Record 2.98m out of work in France

By David Buchan in Paris

UNEMPLOYMENT in France reached a record 2,978,400 last month, 10.5 per cent of the workforce.

However, the rate of increase slowed, with a rise of 7,400 in December, up 0.2 per cent over the previous month. The figures gave some respite to the government, which had feared yesterday would see unemployment crossing the 3m mark.

When he took office last April, Prime Minister Pierre Bérégovoy pledged to keep unemployment below 3m. But the subsequent economic slowdown, caused by high interest rates to support the franc's parity against the D-Mark, has made the promise nearly impossible to keep.

Unemployment and related issues, such as France's high payroll taxes and foreign disinvestment, have become a focal point of the campaign for the March parliamentary election. Socialist ministers, with some

support from the conservative opposition, have blamed employers for seeking to reduce their costs primarily by laying off their workers.

The employers, for their part, say the rise in redundancies is an inevitable result of high interest rates at home and currency depreciations abroad.

Mr François Perigot, president of the Patronat employers' federation, warned this week that "the French economy cannot tolerate indefinitely real interest rates which are so much higher than in Germany, and such a difference in the exchange rate with Britain".

Mr Perigot said "everyone claps" at France's trade surplus, which amounted to FF30bn (£2.7bn) last year. "But if French companies are present everywhere on world markets, it is because they are more competitive, and if they are more competitive, it is because they have cut costs, and among such costs are their workforce."

Russia building new gas pipelines

By Deborah Hargreaves in Moscow

GAZPROM, Russia's state gas production company, is building two new gas pipelines to Germany in an effort to avoid disruption of gas supplies running through the Ukraine, Mr Rem Vyakhirev, the company's chairman, said.

There was an outcry in Germany in October when the pressure in the gas pipeline, which supplies 31 per cent of German demand, dropped for several days as supplies through Ukraine were disrupted.

Mr Vyakhirev said the interruption in supplies in October was caused by a technical problem that "can easily be corrected".

However, it is widely believed that the gas supply problem in October was caused by Ukraine stealing gas from the export pipeline after its own supplies were interrupted.

Mr Vyakhirev said gas flowing through the existing pipeline had a time lag of five to seven days, so it could take a week to sort out any problems. The new pipelines will have a

three-day time lag so disruptions could be corrected much more quickly, he said. He would not disclose the cost of the pipelines, but it is believed to represent an investment of \$1bn (£500m).

Construction of the new pipelines has already begun in Russia with completion of the first pipeline to Germany due in 1997. The company is expected to run one line through the Baltic states and Poland, entering Germany at Frankfurt am der Oder.

Gazprom is expected to sell around 6bn cubic metres a year to Poland en route, which will leave an additional 32bn cubic metres a year for Germany.

Gazprom has agreed a \$50m contract with Compressor Controls, the US gas supplies company, for the supply of control equipment that will improve the efficiency of the company's pipelines and gas processing stations.

The contract runs over seven years and the company estimates it will save 10m to 15m cubic metres of gas a year that would have been lost by inefficient processing.

Shortages close Moskvich car plant

By John Lloyd in Moscow

THE Moskvich car plant, one of the giants of Russian industry, has closed because it lacks parts and funds.

The vehicle plant named after Lenin's Young Communist League and known as AZKL, shut its car production line yesterday after supplies of

engines from the Ufa plant in the Russian republic of Bashkortostan dried up. The engine plant is facing a deficit of Rb14bn in the first quarter of this year, and has written to Mr Victor Chernomyrdin, the prime minister, demanding a subsidy to cover it.

The Ufa lines stopped on Tuesday when they ran out of raw materials and parts. Mr Yuri Borodin, Moskvich's general director, yesterday blamed the "complete absence of state regulation in this basic branch of engineering."

Moskvich cars, whose most recent model is the Aleko five-door hatchback, have for more than two decades been one of the principal vehicle exports of

Russia. The plant has been seeking foreign investors. The main problem for Ufa is its dependence on the military, which takes four-fifths of its engines.

Military spending was cut dramatically last year. However, the draft budget before parliament includes a 32 per cent rise.

Clinton urged to call summit

By Andrew Gowers and Ian Rodger in Davos

A BOLD plan for global economic recovery, including a 20 per cent revaluation of the yen against the dollar and a speedy conclusion of the stalled Uruguay Round of multilateral trade talks was proposed yesterday by Mr Fred Bergsten, a prominent US economist and former American official.

Mr Bergsten, addressing business leaders, ministers, officials and academics at the annual meeting of the World Economic Forum, called on President Bill Clinton to take this initiative by summoning a special summit meeting of the Group of Seven leading industrial countries to tackle the world's economic problems.

Such a meeting might, he suggested, be held after President Clinton had unveiled his domestic economic programme in late March or April, but certainly before the annual G7 summit, scheduled for July in Tokyo.

"The G7 is dead," Mr Bergsten said. "The world economy is entering its third year of virtual stagnation. All industrial countries are suffering from each other's weaknesses."

His proposed "global growth strategy" included:

- A substantial extra Japanese fiscal stimulus.
- Managed appreciation of the yen by 20 per cent along the lines of the 1985 Plaza accord, in order to counteract the rapidly growing Japanese trade surplus.
- Fiscal tightening in Ger-

many and interest rate cuts in all principal countries.

Mr Bergsten's call met a dusty response, however, from senior western officials at the forum. Mr Horst Koehler, state secretary at the German finance ministry, agreed the need for joint economic action was as strong as ever, but emphasised that "macroeconomic policy co-ordination can only be successful over time if each country solves its own problems".

On trade, Mr Bergsten and many others stressed the need for a quick resolution of the Uruguay Round, reinforced by this week's anti-dumping actions by the US against foreign steel makers.

However, Mr Arthur Dunkel, secretary general of the General Agreement on Tariffs and Trade, gave a gloomy prognosis as to the chances of completing the package by the beginning of March, when the US administration must formally notify Congress of its intent to conclude an agreement. "There is still a hell of a technical job to be done, not just by the US and EC but by all the others. What we need is a decision to conclude."

Mr Bergsten said that if a full Uruguay Round agreement could not be concluded before the expiry of US fast track authorisation on June 1, a mini package entrenching the agricultural pact and other significant agreements already reached should be signed. Then the G7 should agree to launch a new multilateral trade round in a year or two.



Swiss Confederation President Adolf Ogi (right) speaks with Klaus Schwab, founder and president of the World Economic Forum

Bank of England head calls Progress in ridding Ukraine of nuclear arms

By Richard Lambert in Davos

THE European Monetary System had to work more flexibly, with more timely and more frequent realignments, Mr Robin Leigh-Pemberton, governor of the Bank of England, said in Davos yesterday.

Describing the lessons learnt from September's currency turmoil, Mr Leigh-Pemberton said monetary integration had to follow, not lead, economic convergence. In addition to the economic strains which contributed to September's upheaval, there had also been a strong element of political pride, and a reluctance to face up to the need for a realignment. Looking ahead, he said the official timetable for monetary union under the Maas-

tricht treaty might no longer be realistic. But it would be a mistake to sacrifice convergence objectives in order to meet the Maastricht deadlines.

A Europe moving at different speeds might be inevitable, Mr Leigh-Pemberton said. It would "not be a big deal". But it would be a mistake for any one country to rush ahead into a currency union before Europe was ready.

Mr Leigh-Pemberton said he took a highly pragmatic view of the future, and had not lost sight of the monetary union objective, which he believed Europe would achieve "at some time". Such a regime would be free from the distortions of political influence - and it would be built on the basis of independent central banks.

UKRAINIAN President Leonid Kravchuk said yesterday considerable progress has been made towards getting rid of the nuclear weapons in the country, Ian Rodger writes from Davos.

Mr Kravchuk, at the annual meeting of the World Economic Forum, said a meeting had been held on Thursday in Kiev among Russian and Ukrainian experts.

"We made considerable progress on the questions of the storage, dismantling and transport of nuclear weapons from the territory of Ukraine," he said.

He also said preparations were being made for ratification by the Ukrainian parliament of the Start 1 and non-proliferation treaties.

NEWS IN BRIEF

Poland sets date for \$12bn debt talks

POLAND said yesterday it would start talks on restructuring its \$12.1bn (£8bn) commercial debt with western bank creditors in Vienna on February 11, writes Christopher Robinson from Warsaw.

The Polish team will be led by Mr Krzysztof Krowacki, the new chief debt negotiator who last week stunned western banks with an announcement that servicing of a \$1.1bn trade facility extended in 1983 would be cut to 20 per cent of the interest due this year.

The Vienna meeting will cover this loan as well as commercial debts worth \$3.3bn which have not been serviced since autumn 1989 and the \$2.7bn-worth of interest on the loans which has gone unpaid since then.

Brazilian steel duty protest

Brazil said yesterday that it would complain about punitive US duties on foreign steel imports to the ruling council of the General Agreement on Tariffs and Trade, Reuter reports from Geneva.

Mr Celso Amorim, Brazil's trade ambassador in Geneva, said: "We wish to call the attention of all GATT contracting parties to this major impediment to trade."

"We are still studying concrete action. We are proceeding with bilateral consultations with the US in Washington."

Jordan wins \$380m more aid

International donors have found an extra \$380m in 1993 aid for Jordan, rewarding its role in the Middle East peace process as well as its economic adjustment policies, officials from Jordan and aid agencies said yesterday, writes Reuter from Paris.

Planning Minister Ziyed Fariz said after the end of a meeting called by the World Bank that the donors showed "an appreciation of our role in the Middle East at large, of our role in the peace process." They were also hatching democracy in Jordan, he said.

Chinese invited to Taiwan

Taiwan will invite mainland Chinese trade officials to a meeting next month under the auspices of the Asia Pacific Economic Co-operation (APEC) forum, the Board of Foreign Trade said yesterday, reports Reuter from Taipei.

They would be the first Chinese officials to make a formal visit to Taiwan since the end of the Chinese civil war in 1949, said Mr Peter Ho, a section chief at the board. However, he said the three Chinese participants would not hold bilateral talks with Taiwanese officials.

They would be invited to attend a training course on the development of small and medium-sized enterprises in Taipei from February 27 to March 2.

Singapore air link sought

China's airlines are hoping to involve Singapore Airlines (SIA) as a partner in the air relations between Singapore and China rapidly improve, Reuter reports from Singapore. Air China, Beijing's state-owned international carrier, has asked SIA to take a stake in the carrier, which plans to issue shares after setting up a holding company in March.

The Financial Times (Europe) Ltd. Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Niederungelstr. 3, 6000 Frankfurt-am-Main 1. Telephone 49 69 156550; Fax 49 69 3964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DYM GmbH-Hilfstr. 10, 60778 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9PL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9PL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Robley. 163 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Editeur, 15721 Rue de Calix, 91100 Roissy-CD. 1. ISSN: ISSN 0950-0804. Distribution: Paritaire No 67608D.

Financial Times (Scandinavia) Vinnestraflet 42A, DK-1165 Copenhagen-C, Denmark. Telephone (45) 13 44 41. Fax (45) 935335.

Bank of Japan is pressed for interest rate cut

By Charles Leadbeater in Tokyo

MR Yasushi Mieno, governor of the Bank of Japan, is under mounting pressure to cut official interest rates to help prevent the Japanese economy slipping into outright recession.

Mr Mieno yesterday acknowledged the weight of the pressure from bankers, industrialists and politicians to cut the official discount rate which has stood at 3.25 per cent since last July.

He said the crescendo of calls for a rate cut reflected the severity of the downturn which has hit the economy, particularly over the last six months.

His remarks were seen as a signal to the business community that the Bank recognises the extent of the slowdown and will cut interest rates soon.

The prospect for a cut were strengthened yesterday by figures showing Tokyo's annual inflation rate was just 1 per cent in January. Economists expect the national inflation rate, which was 1.2 per cent in December, will fall to 0.5 per cent in coming months.

Only 5 per cent of companies polled by the Ministry of Finance said they had felt any benefits from the ¥10,700bn (\$56.9bn) emergency spending package announced last August.

Mr Mieno earned a reputation as a financial disciplinarian after he raised interest rates more than two years ago to prick the speculative bubble economy of the late 1980s. However in recent months he has faced mounting calls to adopt a more relaxed policy.

Mr Mieno's critics' case has been strengthened by the Bank's research which has recently adopted a more pessimistic tone about the outlook for consumer spending and economic recovery.

Bank officials argue its room for further cuts is limited because it is unwilling to reduce the official discount rate below the historic low of 2.5 per cent it reached during the late 1980s.

As a result the next interest rate cut is widely expected to be the last for sometime. It is thought the Bank has wanted to delay a cut for as long as possible to make sure that more emphasis is placed upon increases in public spending to stimulate the economy.

Financial analysts believe the Bank may be holding back an interest rate cut as an emergency measure to bolster confidence in the event of another sharp fall in the fragile Tokyo stock market.

Mr Mieno made clear the Bank would support any major financial institution which faced a crisis through a build up of bad loans. He stressed there was no reason to expect such a crisis.

● Housing starts, one of the few bright spots in the Japanese economy, rose 5.4 per cent in December, according to figures published yesterday.

Anarchy in Zaire threatens to destabilise region

Hopes for a respite from chaos are fading as President Mobutu ruthlessly clings to power, writes Julian Ozanne

THE portents of a fragile African nation heading inexorably towards chaos and civil war are unmistakable. Black Africa's second largest country which sits at the heart of Africa is descending into a state of anarchy which could easily parallel the crisis in Somalia.

The collapse of Zaire, a country four times the size of France with 37m people, would be serious enough. But it has potentially destabilising consequences for the nine states surrounding the former Congo, including Angola and Zambia.

A ruthless dictator unwilling to reform, an irreconcilable 18-month political crisis, the complete loss of control over law and order and the growth of tribal animosities and secessionist sentiments are breaking the country apart.

The immediate cause of the fresh spree of violence is once again the economy. Mutinous soldiers are protesting against worthless new Zaire 5m banknotes printed by the pro-Mobutu central bank in December to settle the two months' payroll of the military and civil service.

The notes, worth less than \$2 (\$1.50) have become central to the on-going power struggle between the authoritarian

president and the opposition which nominally heads a toothless interim government.

Mr Etienne Tshisekedi, the reformist prime minister, fearing a rapid escalation of hyperinflation, declared the notes illegal tender.

Petrol stations, shops, market women and commercial banks refused to accept the banknotes.

On Wednesday the central bank announced draconian measures to force businesses to use the notes, threatening to suspend central bank operations with commercial banks, to sack managers of state-run enterprises and close down petrol stations and airlines if they failed to do so.

Behind the controversy of the new bank notes lies an economic catastrophe, made worse by political instability and rampant corruption which remains endemic throughout the government and civil service. France, Belgium and the US said last week they would restore aid suspended in 1991 if Mr Mobutu forfeits control of the treasury to the government and accepts transition to democracy.

The foreign aid is desperately needed to repair economic infrastructure destroyed during the last major army

spree of violence and stabilise an economy which has vast mineral resources of diamonds, copper and cobalt.

Restoring monetary control would be a vital first step to economic recovery. The central bank is injecting massive liquidity into the enfeebled financial system without any accountability to the government. The Economic Research Institute at the University of

2,695,441 earlier this week. Real GDP is estimated to have fallen by 8 per cent in 1992 having contracted by 7.3 per cent in 1991. Both copper and cobalt production have slumped to new lows.

The country is unable to service its \$10bn external debt and has accumulated hefty arrears to the IMF and World Bank.

The one chance for any recovery remains a credible government with full control over policy making. However, the economic crisis and the ability of the government to tackle the problems has been compounded by a protracted political tussle between Mr Mobutu and the country's fragmented and increasingly tarnished opposition.

Mr Mobutu, who spends most of his time incommensurate steaming up and down the Zaire River on a Belgian colonial riverboat, has constantly refused to bow to demands for multi-party democracy and to hand over significant executive power to the opposition.

Although he has appointed a prime minister from the opposition, Mr Mobutu continues to sabotage the government and undermine its credibility.

The opposition has sought to

remove him from power by waging a civil disobedience campaign while at the same time seeking to impeach the President through the interim parliament. Ultimately Mr Mobutu's survival depends on whether he can maintain the loyalty of the army although a successful disobedience campaign could lead to the country becoming ungovernable.

In the political vacuum violent ethnic passions among Zaire's 200 tribes have been on the intensifying, particularly in remote areas which have been effectively cut off from central authority for months.

The brewing ethnic conflict is most acute in the mineral-rich province of Shaba, formerly Katanga, where the Katangese people fought for secession in the 1960s and 1970s. Ten of thousands of migrant labourers from neighbouring Kasai region working in the state-owned mining giant Gécamine and in the informal business sector have been forced to flee Shaba.

The tensions could quickly lead to a revival of the secessionist movement in Shaba.

With Mr Mobutu determined to ruthlessly cling onto power there appears little hope of respite from further chaos.



President Mobutu: refused demands for multi-party democracy

Yeltsin to defy US on missile sale

By Stefan Wagstyl in New Delhi

PRESIDENT Boris Yeltsin of Russia yesterday pledged to go ahead with a controversial deal to sell missile technology to India despite protests from the US.

Mr Yeltsin, who has been accused by nationalists at home of kowtowing to Washington, used the occasion of a three-day visit to India to state his determination to pursue an independent foreign policy.

Mr Yeltsin said Russia would not "backtrack" on the agreement which became public last year to supply India with cryogenic engines for rockets. He suggested that the US, which has punished India for the deal by banning space technology co-operation, should react to the agreement with "commonsense".

Mr Yeltsin said his visit to India, following trips to Seoul and to Beijing, showed that Russia intended to pursue a balanced foreign policy with equal regard for both the west and for Asia. He said that immediately after gaining power, he had paid more attention to the west, because of the need to deal with the US on issues such as nuclear disarmament.

But now Russia had to "maintain a balance in relations with the west and the east," said Mr Yeltsin.

During his visit to India, Mr Yeltsin and Mr P V Narasimha Rao, the Indian prime minister, signed a friendship treaty and various economic and military co-operation agreements.

De Klerk warns of war if talks fail

By Patti Waldmeir in Cape Town

MR F W de Klerk, the South African president, warned yesterday that South Africa faced a "devastating war" if talks on a post-apartheid constitution do not succeed.

Speaking at the opening of parliament, which excludes blacks, Mr de Klerk said he was confident that a transitional multi-party administration, charged with leading the country to its first one person, one vote election, could be in place by mid-year. He called for a bill of rights to be introduced during this transition period.

However his ministerial colleagues, speaking before the opening of parliament, illustrated divisions among government negotiators which could well delay the talks, and force changes in Mr de Klerk's timetable.

Mr Hennis Kriel, minister of law and order and a member of Pretoria's negotiating team, insisted the government would not agree to a new constitution unless it ordained permanent, compulsory power-sharing between blacks and whites, while other members of the government negotiating team say this demand has now been dropped.

Mr Kriel said differences also remained between the African National Congress and the government over re-incorporation of the nominally independent

black homelands, devolution of powers to regional governments and the future of political armies. Other members of the negotiating team insisted there were no further fundamental differences on these issues.

However, Mr Pello Jordan, ANC spokesman, said Mr de Klerk's speech was "extremely disappointing... The country has been terribly let down."

"Instead of measured steps to involve his negotiating partners more deeply in the process of transformation he has chosen to cast himself and his government as managers of the process," he said.

Mr Pik Botha, the Foreign Minister, briefing reporters before the president spoke, warned of "grotesque and awesome" consequences if political leaders did not reach agreement, drawing a parallel with Yugoslavia. "Unless through the process of give and take, realistic agreement is reached... then devastation would follow," he said.

Mr de Klerk said 1992, when multi-party talks collapsed in acrimony, was particularly bad. But he said a new spirit was abroad now. Much work had to be done before binding agreements were reached on the transition to democracy, but he said multi-party negotiations could resume in March, resulting in a transitional executive council in June and a transitional constitution by September.

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NEWS: UK

■ Government and watchdog attacked ■ Unions vow opposition ■ Subsidy for generators urged

The coal spectre Thatcher failed to banish

By Philip Stephens,
Political Editor

COAL is an industry that has haunted the Conservatives for more than two decades. Lady Thatcher thought she had banished the spectre after her crushing victory over the miners in 1985. Mr John Major discovered to his cost last autumn she had not. Now his government is preparing to pay the price.

The precise response of the cabinet to yesterday's report from the trade and industry committee will not be determined until next week. Mr Major will read the report before chairing a meeting on Monday of the cabinet committee charged with drafting the white paper.

Senior ministers say there are still battles to be fought over what has become for some in the cabinet a fight for the government's soul: between the free market ideology of the 1980s and the lame duck interventionism which preceded it.

But, fierce though it is, the debate will effect only at the margin the outcome of the review. The trade and industry committee, a cross-party group of backbench MPs, said the market for coal should be expanded by 16m tonnes a year until 1998, financed by a diminishing state subsidy.

If it is not to be defeated at Westminster, the government must now come up with a plan which will persuade the Conservative members of

the committee - and the 30 or so more militant Tory opponents of pit closures - that it has responded in good faith.

The right in the cabinet - Mr Michael Portillo and Mr Michael Howard among them - have staked out a position which would limit the enlargement of the market to a maximum of 12m tonnes. The subsidy would run for 3 rather than 5 years. It would be slightly less per tonne than that suggested by Mr Michael Heseltine, the president of the board of trade.

For his part Mr Heseltine wants a formula that can be seen both to make some economic sense and to be fairly certain of convincing the Tory backbenches. His starting point is

that the ideologists have chosen the wrong battleground.

The present arrangements for the electricity market already provide for an effective subsidy of 11m a year. If the government did nothing that would fall to about £350m next year. So the issue is not whether the industry should be propped up next year but how much more the government should spend above the £350m already committed.

Mr Heseltine is aware also that the only rational argument that can be made for an additional subsidy is that it would provide a breathing space in which British Coal could become competitive. The case would be undercut decisively by too small a subsidy for too short a period.

Mr Major's focus is on a Tory majority of 21 and on the risk that a further row over coal could again sour the political mood and sap confidence in economic recovery. The judgment that will be crucial for him will be that of Mr Richard Ryder, the chief whip. It will be Mr Ryder's job to tell Mr Major what is necessary to reduce the number of Tory rebels to comfortably below 10 and to take coal off the political agenda until after the next election.

The 30-strong Tory group opposed to the original closure plan has told Mr Ryder that the price of its support is the rescue of at least half the threatened 31 pits. That suggests that the government will be obliged to come up with something

comparable to the trade and industry committee's recommendations even if it disagrees with some of the technical analysis in the MPs' report. The U-turn that started in the autumn will then be complete.

Undoubtedly Mr Major will be branded by some as a Heathite. But there is an interesting historical footnote to all this. There are those on the right of the Tory party who are hailing not Mr Major but Lady Thatcher for the present predicament. During the miners' strike she considered privatisation of the coal industry. The news leaked and she was cowed by the ensuing political row into dropping the plans. There will be nothing new in Mr Major's retreat.

Major backs 'merchant venturers'

By Ralph Atkins

MR JOHN Major has found a fresh theme this week: the importance of exporting.

Returning to London yesterday after a six-day trip to India and the Middle East, the prime minister was looking a little pleased with himself.

Accompanied by a team of businessmen, he had spoken repeatedly of the need to boost overseas sales and had been rewarded with a defence sales agreement with Saudi Arabia worth between £4bn and £5bn and several smaller deals in India and Oman.

Mr Major told industrialists that Britain's economic prosperity hung on their future export successes. The government and industry, he said, must ensure Britain takes advantage of sterling's devaluation - and not, as so often in the past, blow its chance of building economic growth on export sales. "We need merchant venturers, not merchants of gloom," he said last night in Glasgow.

The businessmen travelling with Mr Major were impressed. He spent much of his time discussing their individual clashes with Indian regulations and won unqualified praise for his efforts to open doors in government.

The emphasis on exports marks a shift in Whitehall. In the past both the Treasury and Mr Major have emphasised the need for a revival in consumer confidence. In Delhi, however, Mr Major said: "Export growth will lead our recovery."

At first it appeared a throw-away comment. But by the end of the week, it seemed Mr Major was moving towards believing that recovery has to be built on investment and export growth.

The genesis of the remark was the Downing Street Policy Unit's new year summit on domestic issues. By the year 2000, Mr Major argues, Britain will have to broaden its manufacturing base and increase competitiveness in middle and leading-edge technologies. "Soft" markets such as India are becoming manufacturers in their own right.

Mr Major says there has to be a "new language" between industry and the government and an end to prejudice against manufacturing and engineering.

The change is more about mood than prescription. Mr Major will take a delegation to Japan later this year; he will listen to the Confederation of British Industry more; mount another Whitehall offensive against unnecessary regulation and has promised a further review of state-supported export credit insurance, even though the Treasury's provision was increased in the autumn statement.

Back in Westminster, however, Mr Major could find the debates on coal, Maastricht and the costs of 3m unemployed pushing the detailed concerns of exporters from his immediate priorities.

'Fewer companies' move from London

By Vanessa Houlder,
Property Correspondent

THE NUMBER of companies moving out of central London fell by a third last year, because of the recession and oversupply in the office market.

A report on decentralisation by Jones Lang Wootton, chartered surveyors, found that:

- Only 14 organisations plan to relocate from central London in the next four years.
- In 1992, 23 organisations and 10,938 jobs moved out of central London. This compares with nearly 14,000 jobs and 30 companies in 1991.
- Property cost savings remain the most important motive for moving out of central London. However, their importance is diminishing as a result of the narrowing of rent differentials between central London and suburban office markets.

- Companies are moving longer distances to achieve greater cost savings. Only 35 per cent of moving companies stayed in the south-east in 1992, compared with 79 per cent between 1983 and 1991.

Decentralisation of Offices from Central London. Jones Lang Wootton, 22 Finsbury Square, London W1A 2BN. £100.

Miners at odds with view of TUC

By David Goodhart
and Ian Hamilton Fazey

THE report was cautiously welcomed by the Trades Union Congress and heartily denounced by all the miners' unions, indicating that the labour movement's unified approach to the campaign against pit closures may come under strain.

Mr Arthur Scargill, leader of the National Union of Mineworkers, the biggest mining union, said the report was "unacceptable" and failed to deal with the central issues.

Mr Neil Crear, leader of the smaller Union of Democratic Mineworkers which is not affiliated to the TUC, also said he was "bitterly disappointed".

He added: "Obviously there are parts of the report we like, such as the fact that all pits should go through the review procedure, but we believe that all 31 pits [initially marked for closure] should be saved."

He said it was unfair to penalise pits where the UDM is the main union because they had less room for productivity improvements now as a result of greater flexibility in the past few years.

The NUM will be backed in its opposition by the RMT, the main rail union. It has just been told that a further 2,000 rail jobs are to go before March. In addition to the 5,000 announced in November. The rail unions and TUC mining unions are to hold ballots of their memberships on March 5 on a programme of one-day strikes.

The TUC, and large unions such as the TGWU and GMB general unions, gave their qualified support to the report. Mr Norman Willis, TUC general secretary, said: "The select committee are to be congratulated on providing a helpful report which opens the way forward."

BACM, the pit managers' union, also welcomed the report, saying it "reverses much of the damage proposed by the October closure announcement".

TUC officials said there was little surprise that the main mining unions were hostile. "It's their job to lobby for the best possible outcome and it's our job to make realistic compromises," said one.

The Coalfield Communities Campaign, which involves community groups and local authorities in the affected areas and opposes the closures, welcomed the report. The suggestion that the nuclear levy should be paid into a fund rather than to Nuclear Electric was described as "excellent".

WHAT THE EXPERTS SAY

Colin Webster
commercial director National Power

"It is for government to decide by how much there should be a larger market for British Coal over and above the tonnage which have been involved in discussions between the coal producers, the generators and the regional electricity companies. We are both willing and able to use larger amounts of UK-produced coal provided a market can be found for the electricity generated from it and fair mechanisms can be agreed to meet the additional costs."

Generators' monopoly power is criticised and the report calls for tougher price controls.

Tony Craven Walker
chief executive Monument Oil & Gas

"In identifying the need to provide for non-domestic quality gas, the committee has recognised the requirement to utilise Britain's energy reserves to maximum efficiency. I welcome the recognition of the project to develop four oil and gas fields in Liverpool Bay, north Wales, which has been suspended pending the outcome of the energy review."

Independent gas projects have been accused of sieging coal's market.

Neil Clarke
chairman British Coal

"The report supports our consistently stated view that only a radical transformation of the market would change the prospects of many of our collieries. I am pleased that this report points the way to a more stable and secure future for our miners. It is a cool and rational assessment of the benefit of maintaining a substantial indigenous coal mining business for years to come."

British Gas competes with electricity in the home heating and industrial markets.

Arthur Scargill
president NUM

"The report is unacceptable to the NUM and to mining communities. In spite of overwhelming evidence, the committee has refused to address the problem of the rigged market which led to the unlawful and irrational closure decisions. We find it incredible and inexplicable... that the committee has refused to recommend the phasing out of expensive nuclear power, failed to recommend a halt to subsidised coal imports and has not recommended stopping the 'dash for gas'."

Unions may see thousands of jobs saved but cost-cutting and streamlining to continue.

John Collier
chairman Nuclear Electric

"The recommendations open the way for a secure future for coal and nuclear power in the UK. In particular the committee has taken full account of our argument that there should be no sense in closing our nuclear stations early to make room for coal... It's far cheaper to run our stations than to close them. I'm happy with the suggestion that the fossil fuel levy and the company's inherited liabilities should both be taken away from Nuclear Electric."

Nuclear Electric would lose some of its levy revenue, but also some clean-up liabilities.

Eamonn Butler
director Adam Smith Institute

"Any subsidy to coal will cost jobs elsewhere in the oil and gas industries. It will also cost jobs among ordinary taxpayers. Businesses who are finding it difficult at the moment will face higher tax bills and employ less people for less time as a result."

Committee claims the measures are ultimately aimed at fostering a better energy market

John Harris
chairman East Midlands Electricity

"I disagree with the suggestion that franchise on the provision of electricity supply should be extended from 1994 to 1998. This will increase electricity prices. But I go along with the general thrust of the report which is that there should be government subsidy to keep pits open... The miners will have to ensure that in the next few years their pits will become more competitive. However I would want to see that the subsidy is not open-ended."

Regional suppliers would have to buy electricity generated from UK coal or risk losing licence.

Peter Melchett
executive director Greenpeace

"The committee appears to have neglected the environment in favour of a quick fix designed to address political expediencies. Instead of subsidising just one declining and polluting industry, the nuclear industry, it is proposing to prop up another, the coal industry, without addressing the long-term future environmental and economic results of such a decision."

Many measures will combat acid rain, promote clean coal technology and curb open cast mining but more coal will be burned.

Compiled by Jimmy Burns

Treasury and Littlechild criticised by report

By Michael Smith

THE BENEFITS of expanding the market for coal far outweighs the costs, said Mr Richard Caborn, chairman of the trade and industry select committee, as he presented a report with wide implications for a range of industries, workers, institutions and the environment.

The report is harshly critical of the Treasury and Professor Stephen Littlechild, the electricity regulator, and includes recommendations which, if implemented by the government, would significantly affect the nuclear, gas, coal and electricity industries in the UK and overseas.

The main conclusions of the report are in the following areas:

Coal: a subsidy should be provided to the electricity generators to burn up to 16m tonnes of extra coal a year for the next five on top of existing contracts. It would be equal to the difference between the price of overseas and British coal. In addition, the government should consider financial assistance for 3m tonnes to be sold elsewhere and require the generators to buy 4m tonnes for one year only in 1994-95.

There would also be subsidies for clean coal technology. The committee believes the total subsidy needed over five years would be less than £500m. The money should

come either from the fossil fuel levy "which raises more money than is needed for its main purpose" or from the taxpayer, but not the electricity consumer.

More worrying for British Coal is the committee's suggestion that open-cast output be reduced gradually through stricter planning guidelines from its present 18m tonnes a year to about 10m.

However, the corporation welcomes the committee's suggestion that a high priority be placed on reforming working

Electricity that is supplied from France should be subject to the nuclear levy

practices, particularly the reform of working hours.

Conversely the unions will welcome the committee's proposal that any colliery proposed for closure should be put into the Modified Colliery Review Procedure, a move opening the possibility that no pits be closed within the next nine months.

Nuclear power: Nuclear Electric will be relieved the committee rejects calls from some environmentalists for early closure of the Magnox stations or for not commissioning Sizewell

B next year. It also welcomes a committee proposal, unlikely to be adopted by the government, that NE ceases to receive income from the fossil fuel levy and ceases to be responsible for discharging inherited nuclear liabilities. The report suggests diverting £380m a year of the levy towards coal.

The committee recommends that the nuclear review scheduled for 1994 be brought forward by a year.

Major energy users, who have since privatisation complained of high electricity prices, are backed. The committee says major users should not be disadvantaged by high electricity prices relative to overseas competitors.

It suggests a cross-subsidy from small consumers by tapering the fossil fuel levy so large users pay a small percentage.

Electricity: Perhaps the most significant means of increasing the market for coal would be achieved through the committee's recommendation that the liberalisation of the electricity market be delayed by four years from 1994. Under its proposal the boundary non-franchise market, where there is competition between regional electricity companies, would remain at 1MW.

Some regional companies have suggested this would enable them to collectively buy 15m tonnes more a year of coal-fired electricity because they would be certain they

could sell it to customers. The committee says retention of the existing franchise boundary would be conditional on the regional companies agreeing to larger coal contracts. In addition it says the prices of the generators and regional companies would have to be tightly regulated to prevent excessive prices.

Under present licences the generators are not directly regulated and some regional companies say this enables them to hold on to some of the money resulting from falling coal prices.

The committee also recommends the government require the generators to hold total stocks of not less than 20m tonnes of coal a year.

The committee wants Prof Littlechild to review regional companies distribution charges immediately so he can introduce tighter controls on charges and pass the benefits of privatisation on to consumers.

It says it does not regard the way Prof Littlechild has discharged his duties as satisfactory, criticising him for "over-reliance" on competition and an apparent lack of urgency in resolving problems.

The report says his duties should be amended to make protection of consumers one of his primary duties and be required to consider long-term interest of indigenous fuel producers.

The Department of Trade

and industry is asked to review the power of energy regulators, with the aim of acquiring more parliamentary and government control over their work.

Operation of the pool wholesale market for electricity is strongly questioned because of the way the bidding system appears to disadvantage coal. A review is suggested.

The report suggests controversially that electricity supplied from France be subject to the nuclear levy and that Electricité de France's ability to negotiate long-term contracts

Littlechild had an 'over-reliance' on competition, lacking urgency on problems

to supply power be made conditional on UK generators having access to the French system. The committee believes this would create room for 6.5m tonnes of coal.

Gas: Rapid expansion in the market share of combined cycle turbine gas generators are accepted as inevitable - the committee estimates 30m tonnes of coal equivalent in 1997 against 1m this year.

The committee says the independent power projects involving CCGT have a protected market through long-term con-

A pit waits for release from months of misery

By Chris Tighe

THE FATE of Westoe Colliery at South Shields, Tyne and Wear, and its 1,120 miners hung in suspense yesterday.

Powerleader Mr Jimmy Gallagher and his workmates wanted, above all, to know whether their colliery has a future.

They have endured three months of uncertainty and oscillating morale since their pit appeared on the October closure list.

As they drank mugs of tea in the canteen, waiting for the 2.30pm cage to take them underground for their four-hour journey to the coal face - six kilometres out under the North Sea - their prospects were as unclear as before the release of the eagerly awaited select committee report.

Mr Gallagher, 35, who has worked at Westoe for 20 years, said: "Men don't know if they're coming or going."

Mr Davy Graham, a 49-year-old powerleader with 33 years service at Westoe, said: "What we want to know is, when are they going to put us out of our misery?"

Westoe's coal goes to Yorkshire region power stations, so transport costs put it at a disadvantage against pits in that region.

It was ranked 20th economically out of the 21 threatened pits in last week's John T. Boyd report. Westoe miners dispute the report's calculations, arguing their pit has produced an operating surplus each year, except one, since the mid-1980s and has 60m tonnes of known reserves.

The men were gloomy yesterday about Westoe's survival chances and about their prospects of working again. South Tyneside is already joint first, at 19.7 per cent, in mainland Britain's unemployment league. Its male jobless rate is 28.2 per cent and 40 per cent of its unemployed have been out of work more than a year.

In this context Westoe's miners are an elite - well-paid responsible men, most of whom have never been on the dole. Asked what their chances were of finding another job, most just laughed.

There was confusion among them over whether the select committee's recommended subsidy was for 15m or 19m tonnes. The former figure would probably damn Westoe. The latter figure offers a measure of hope. Political lobbying will be crucial.



Six miners at Westoe Colliery, South Shields - who have a total of 121 years service between them - anxiously await their pit's fate

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Fall forecast in public investment

By Peter Norman, Economics Editor

PUBLIC-SECTOR investment is set to fall in real terms in the 1993-94 financial year in spite of government pledges to protect capital spending, figures released by the Treasury showed yesterday.

According to the Treasury's statistical supplement to last November's autumn statement, public-sector asset creation – the broadest measure of public-sector investment – will fall by an inflation-adjusted 2.32 per cent in the coming financial year compared with 1992-93. In cash terms, public-sector asset creation is due to rise to £30.4bn this year from £30.3bn.

The fall in real terms largely reflects a sharp increase of 288m in projected investment by central government this year compared with earlier plans following the announcement in the autumn statement of its £750m programme to buy houses.

However, the figures brought a sharp response from Labour. Ms Harriet Harman, shadow chief secretary, said they showed that Mr Norman Lamont, the chancellor, had not kept promises made in the autumn statement to protect public investment.

The supplement revised

upwards slightly the government forecast of the 1992-93 public-expenditure planning total to £226.5bn from £226.1bn in the autumn statement.

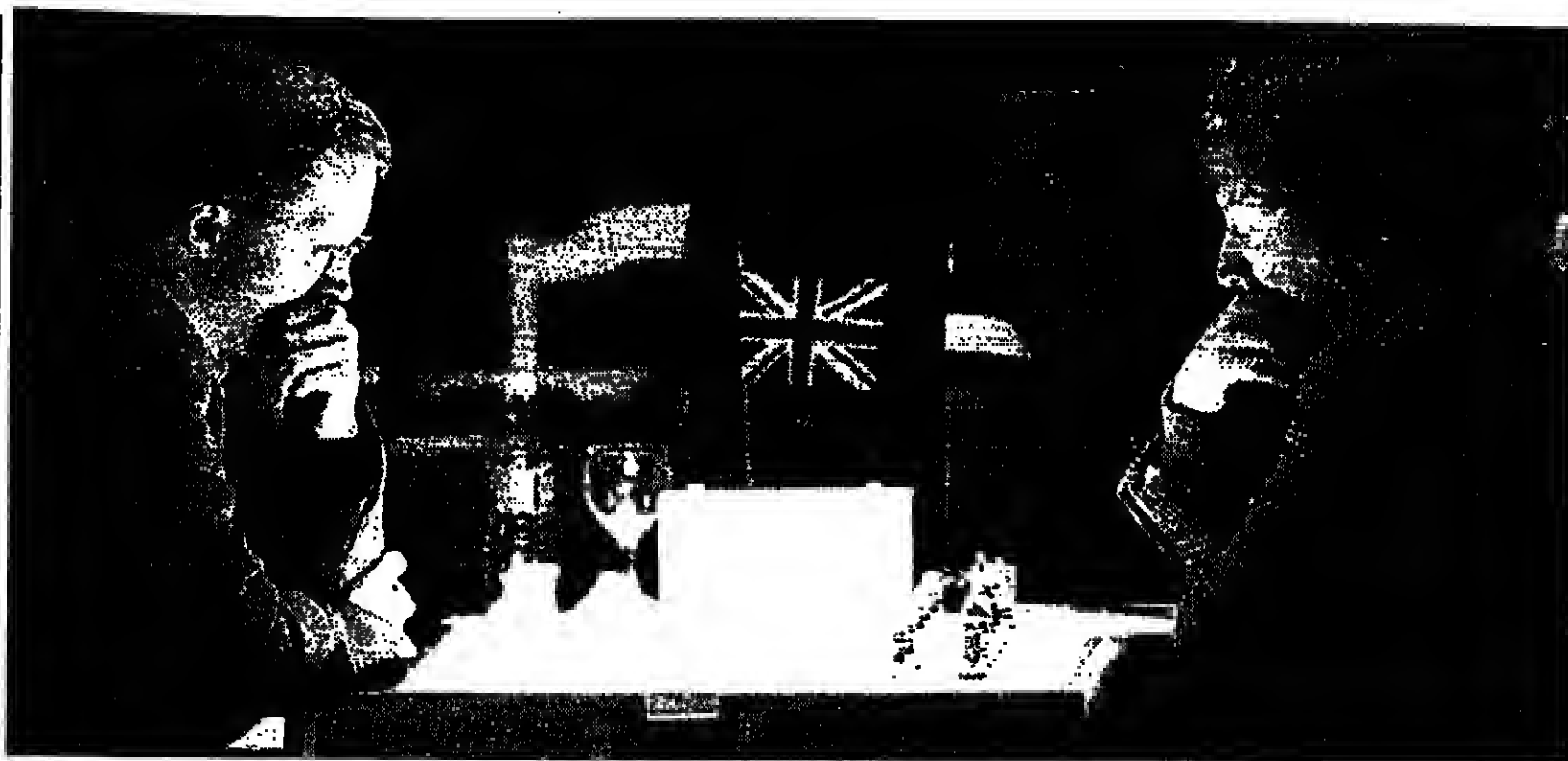
It also showed that Britons living in Northern Ireland, Scotland and Wales gain more from government spending than those in England in spite of a narrowing of regional differences in economic activity and unemployment since the start of the recession.

The government spent £4.191 per head of population in Northern Ireland in 1991-92 against £3.506 in Scotland and £3.268 in Wales. Expenditure per head in England was below the £3.060 national average at £2.963.

England accounted for 81 per cent of identifiable general government expenditure, a reflection of its larger population and economic importance. Scotland took 10 per cent of the total, against 5 per cent for Wales and Northern Ireland's 4 per cent.

Tentative figures for government spending in the English regions showed that the north-west had the highest per head expenditure, followed by the north and south-east.

Public Expenditure Analysis to 1995-96. Cm 2219, HMSO, £19.50.



Locked in combat: Nigel Short watches as Jan Timman makes a move in the World Chess Championships. The 13th game in the contest begins today

Short moves closer to millionaire status

NIGEL SHORT will be on the brink of becoming Britain's first chess millionaire today when he sits at the board for his 13th game against Jan Timman, the Dutch champion.

Originally Kasparov had planned to defend his title in August in Los Angeles with a \$4m prize fund, but backers were not interested in a series between two Europeans.

The International Chess Federation has re-opened bidding for the prize fund. Chess organisers in Barcelona say that city will bid \$4m, while Jakarta

may offer a still higher figure. Berlin and the Spanish university town of Santiago de Compostela are also in contention. Bids must be submitted to the federation by February 8.

In most cases the city authorities would be heavily involved in financing the prize money, seeking private sponsorship to help fund the event and regarding its spending as an investment in a higher international profile and an increased number of visitors.

Statistical forecasts based on ratings say Kasparov would

win, but Short would collect the three eighths of the prize fund that goes to the loser. He would add this to the £35,000 for beating Karpov and £80,000 for eliminating Timman.

Business sponsorship of chess has declined. City institutions such as Graysen Grant, US Phillips & Drew, the London investment banking arm of Union Bank of Switzerland, and Kleinwort Benson, the merchant bank, have

dropped out since their mergers into bigger groups. The Greater London Council spon-

sored an international event in London in 1986, but was itself abolished soon afterwards.

There is still City sponsorship – from Lloyds Bank, Leigh Interests, and Duncan Lawrie, the private bank – as well as from the East Sussex town of Hastings, which holds a tournament every year.

Declining sponsorship has left leading players struggling for a living. Mr Peter Wells, 27, an Oxford economics graduate and head of the British Chess Academy, which represents young professionals, says:

"There are too many players chasing too little money and in European opens we now have to contend with a huge influx of ex-Soviets."

Players rely on coaching, writing books and European league games to survive. Mr Wells adds: "Our only real hope is that the economy will improve and that there will be a spin-off from Nigel's match with Kasparov."

Leonard Barden

Chess column, Weekend XIX

Appetite for importing goods worries economists

By Emma Tucker, Economics Staff

THIS WEEK'S news that UK imports rose to record levels in December has prompted the usual hand-wringing among economists.

How can it be, they ask, that after more than two years of recession the UK has been unable to curtail its appetite for imported goods?

They argue that the answer apparently lies in deep-rooted structural problems afflicting the economy. Sterling's devaluation may give a boost to exports in the short term, but is not enough to cure the country's addiction to imports in the long run.

"The UK has a chronic problem that isn't going to be solved by devaluation," says Mr Kevin Gardiner, economist at SG Warburg.

He says: "If we don't produce motorbikes, vacuum cleaners and fridges in the first place, simply chopping 15 per cent off the exchange rate is not going to solve the problem."

The latest figures bear this out. In December the visible trade gap widened to £1.74bn, its highest level for 2 1/2 years.

Last year the UK imported £120.55bn of foreign goods, but exported only £106.77bn. The shortfall was only partially alleviated by a surplus of £1.95bn on invisible items such as financial services, advertising, dividends and tourism, supposedly the strong point of UK exports.

The volume of exports is expected to increase in the next few months as UK goods benefit from the devaluation, but the consensus among economists is that the deficit on the current account will deteriorate further this year.

Historically recessions have depressed the inflow of imports as demand for foreign goods has slackened.

In previous economic downturns the decline in manufacturing output has been more or less mirrored by a decline in manufacturing imports.

In the third quarter of 1975, for example, manufacturing output fell by 11.1 per cent on the previous year, while manufacturing imports excluding oil and erratic items fell by 12.2 per cent. In the first quarter of 1981 output fell by 13.2 per cent and imports by 15.7 per cent.

This time imports have risen even before output has stopped falling. In the first quarter of last year manufacturing output fell by 2 per cent, but manufacturing imports rose by 5 per cent. In the fourth quarter the volume of manufacturing imports rose by 9.5 per cent year-on-year while manufacturing output is estimated to have been roughly flat.

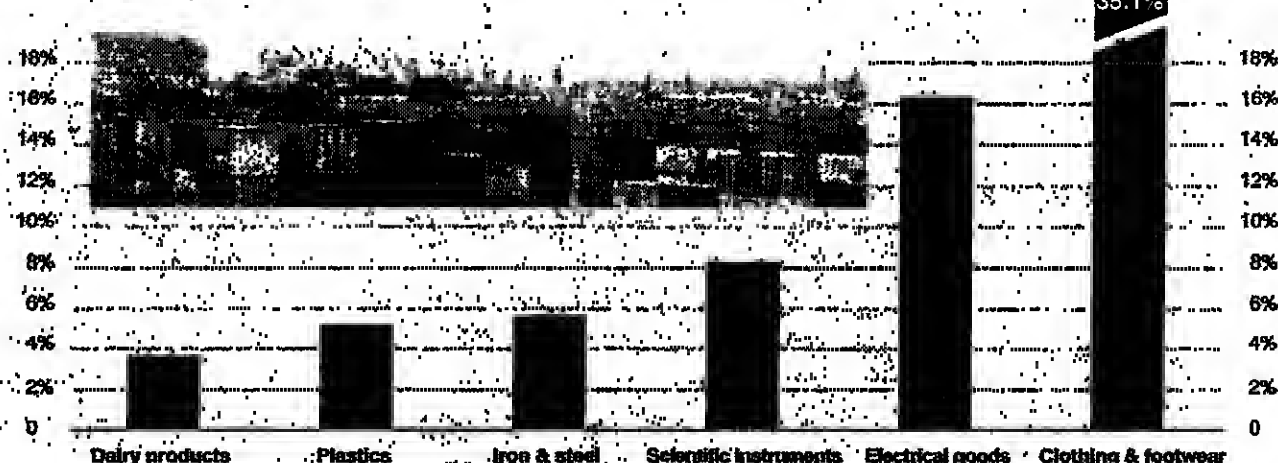
Mr Gardiner believes the UK's inability to close the trade deficit is rooted in gaps in the manufacturing product range of the home market. The fact that imports are rising as a percentage of GDP could reflect an "acceleration in the rate at which UK manufacturers yield market share to foreign supply."

According to Mr Douglas McWilliams, chief executive of the Centre for Economics and Business Research, the UK's balance of payments prospects will continue to be affected by lack of manufacturing capacity.

A study carried out by the centre shows that the UK's manufacturing capacity grew by 19 per cent between 1970 and 1990, compared with growth of 43 per cent in the

Selected import volumes through the recession

Annual % growth Jan 1990 – Nov 1992



other three larger European economies – Germany, France and Italy – 86 per cent in the US and 129 per cent in Japan.

He said: "Although there is substantial evidence that the quality of UK manufacturing is much improved, the small size of the base means that rates of GDP growth in the mid-1990s much above 2.5 per cent would

land the UK back in serious balance of payments difficulties."

Perhaps the most worrying aspect of Britain's penchant for foreign goods is that rises in imports have occurred in almost every industrial sector.

Import volumes of iron and steel, for example, have risen by about 50 per cent since 1985,

while imports of electrical goods have doubled. Clothing and footwear imports have also doubled since 1985. Even imports of dairy products and eggs have risen by 70 per cent.

It may be that the government is edging towards an "industrial strategy" that could eventually improve the UK's trade performance. The

release of this week's trade figures coincided with an official trip by Mr John Major, the prime minister, to India and the Middle East, which he used to drum up business for UK manufacturers. In the autumn statement the government increased export credit for potentially fast growing markets.

Small business doubts over banks

By Charles Batchelor, Our Regional Staff

SMALL business owners around the country appear confident that banks will pass on in full Tuesday's one per cent point cut in base rates. Yet they remain concerned about banks' willingness to provide finance for an economic upturn.

The accounts of the two thirds of business customers who borrow at rates tied to the base rate were adjusted with immediate effect, the main banks said, though customers will not see the impact until they receive their statements. The 1 per cent reduction was being passed on in full.

Mr Clifford Blake, chairman and managing director of Metal Spinners Group, a Newcastle upon Tyne manufacturer of metal components, said he believed the banks would pass on the cut in full.

The company, which has turnover of £8m and 110 employees, has noticed that its bank was applying tougher lending criteria.

Soma businesses say they are suffering from banks' refusal to lend to certain sectors. Eagletrans, a Middlesbrough-based transport company with £1m turnover, has had to manage without a bank overdraft. It has grown by using finance houses to fund the purchase of vehicles, making repayments from

retained profits. "As far as the banks are concerned we've got leprosy," said Mr Gordon Mitchell, managing director. "I don't think unless I signed my life away they'd be interested in giving me an overdraft."

At Caldene Autoland car showrooms in Tipton, West Midlands, general sales manager Mr Anthony Randall has sold 55 new cars this month, 23 more than his January target. "We are the victims of our own success," he said. Tight control of overdrafts made it difficult to obtain extra cash to restock.

Accountants confirmed that their clients had problems raising finance. Mr Charles Hattoo, a partner in Moore Step-

hens at Southport, Merseyside, with more than 100 small corporate clients, said: "The only companies the banks will lend to nowadays are those which don't need it. Those which do are still finding it very difficult indeed."

Banks will typically lend only 50 per cent of fixed asset values and 30 per cent of money owed by customers, said Mr Charles Burton of the Bradford Office of Haines Watts. This compared with 70 per cent and 50 per cent respectively before the recession began.

Declining property values have meant the actual money available is even less than first appears when compared with 1989 benchmarks.

Large relocation as MoD division goes to Bristol

By Andrew Taylor, Construction Correspondent

ONE of the biggest job relocations in the UK has been approved by the Ministry of Defence which is building the north of Bristol a new headquarters for its military equipment purchasing arm.

The Defence Procurement Executive is responsible for spending more than £9bn a year for the three armed services and operates from "dozens of offices" in southern England.

The ministry said it will be more efficient to house the operations in a single develop-

ment. The new headquarters will house 5,500 staff, of which about 1,000 are expected to be recruited locally.

Mr Jonathan Aiken, minister for defence procurement, said: "This ambitious project will provide not only a considerable stimulus to the local economy but also for the hard pressed construction industry which will be competing for the work."

The Bristol region, which has strong aerospace industry links, has seen unemployment rise sharply as demand from civil aviation and defence industries has fallen. Unemployment in the region was close to 10 per cent at the

end of last year. Mr Richard Workman, development control officer for Northavon District Council, where the new headquarters will be situated, said: "The two largest employers in the area are British Aerospace and Rolls Royce. We are delighted to have been given this opportunity to create new jobs to replace those which have been lost."

Another 1,500 jobs are likely to be created during construction, which is expected to start this spring and be completed by autumn 1995.

The headquarters of 10 buildings is expected to cost more than £100m to build.

Bill on independent press body wins second reading

By Ivor Owen, Parliamentary Correspondent

A PRIVATE member's bill seeking to establish an independent press authority to secure "due accuracy" by newspapers and periodicals was given a second reading by 119 votes to 15 in the Commons yesterday.

The bill was described as "premature and misconceived" by Mr Robert Key, the junior heritage minister, and a procedural manoeuvre by some Conservative backbenchers to block its progress was defeated by 129 votes to 11.

Mr Clive Soley, Labour MP for Hammersmith and chief sponsor of the bill, underlined

his willingness to accept amendments supporting press freedom when appealing for co-operation from newspaper editors at a press conference after the debate.

The bill has only a remote chance of reaching the statute book because of the number and scope of amendments that have to be considered during the line-by-line committee stage.

The government's dissatisfaction with the existing Press Complaints Commission was reaffirmed by Mr Key, who made it clear that ministerial reluctance to establish a statutory regulatory body, as recommended by Sir David Calcutt in his recent report,

did not mean it had been ruled out.

The government will take into account press response to Sir David's criticisms and the views expressed in the debate on the bill and in the forthcoming report by the Commons heritage committee on privacy and media intrusion before reaching conclusions about a statutory regulatory body.

In response to questions at the press conference Mr Soley warned newspaper editors that unless they co-operated in getting "something like my bill" on the statute book they risked legislation on privacy without any counter-balancing measure on press freedom.

Drug companies warned of south-east skill shortage

By Paul Abrahams

PHARMACEUTICALS companies in the south-east of England face skill shortages in spite of the recession, says a report to be published next week.

The report says some companies in Hertfordshire are having problems recruiting people with appropriate skills, training and experience, though the companies insist there is no recruitment crisis.

The report concentrates on Glaxo, SmithKline Beecham, Merck and Roche, which plan to increase their total staff in the county from 5,500 to 8,000 by the mid-1990s. Glaxo, which is building a

£500m research and development centre in Stevenage, believes it may have problems finding people with good A-levels and post-doctoral qualifications in chemistry.

The study estimates that 10 per cent of senior managers and post-doctoral scientists employed in the sector come from Hertfordshire. This compares with half of the technicians and all the clerical and manual workers.

The shortage is due to declining numbers of young people and less interest in science. Only 12 per cent of pupils taking A-level and GCSE science examinations had any interest in employment in the sector. Glaxo executives say this is

because local schools have tended to teach engineering-orientated subjects rather than chemistry.

Many pupils in the area have been potential recruits for the aerospace industry, a large employer in Hertfordshire, although there have recently been redundancies.

A decline in engineering companies in the county does not mean redundant engineers can switch into the pharmaceuticals industry, warns the report. The local workforce is highly skilled, but not necessarily in the right areas.

Health and Wealth? Michael Breheny and others. South East Economic Strategy. 0279 44 64 69

Smoking report's research attacked

REPRESENTATIVES of the advertising and tobacco industries yesterday condemned as fallacious and inadequately researched a government report that says tobacco advertising plays a significant role in encouraging people to smoke. Gary Mead writes.

The criticism came from the Advertising Association and the Tobacco Advisory Council, which represents the main tobacco manufacturers.

In its response to the report the association said it had used invalid evidence and had ignored international research that contradicted the report's conclusions. It said the report:

● "Reviewed only a small fraction of the evidence on the subject of the effect of tobacco advertising on tobacco consumption."

● "Ignores the extensive literature relating to the basic question of how advertising actually works."

● "Arrives at sweeping and unjustified conclusions based on a limited and incomplete review of the available evidence."

The association quoted a 1984 World Health Organisation study of smoking behaviour among schoolchildren in Norway and Finland, where tobacco advertising was banned, and Austria and the UK, where it was not. It concluded: "A difference [in smoking habits] might have been expected. No such systematic differences are found."

The Tobacco Advisory Council suggested in its response that the generally accepted view of researchers was that children who smoked became aware of advertising, while children who did not smoke ignored it.

In the UK about £60m annually is spent on tobacco advertising in the press and on posters.

Building group in receivership

CLAYTON Bowmore, a building group based in Wakefield, West Yorkshire, has gone into receivership with debts of £5m. The group, which turns over £15m a year and employs 75 people, specialises in building schools and property for housing associations. It will be run by KPMG Peat Marwick, the receiver, while a buyer is sought.

Number of quangos increased last year

THE number of quasi-autonomous non-governmental bodies – quangos – rose last year, according to the Cabinet Office.

The number of quangos outside the health service – such as the Universities Funding Council and the London Docklands Development Corporation – was 1,412 in April 1992, a drop of 32. However the number of health-service bodies rose from 551 to 510, as a result of the creation of NHS trusts. Including Training and Enterprise Councils (and Local Enterprise Councils in Scotland), this brings the quango total to 2,026 in April 1992, compared with 1,846 the year before.

Public Bodies 1992. HMSO, £12.

Tanker hearings to start in spring

LORD Donaldson, the former master of the rolls, plans to begin hearings in his public inquiry into the prevention of pollution from merchant shipping in the spring. The inquiry was announced at the beginning of the month after the Braer oil tanker disaster.

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A hint of nostalgia

AFTER MONDAY'S surprise cuts in bank base rates from 7 to 6 per cent, Britain is enjoying the lowest nominal short term interest rates for 15 years. The comparison is evocative. In 1977 the country was perceived to have an appalling balance of payments problem, a huge burden of public sector debt and a banking system that was struggling under the impact of a property market crash. *Plus ça change*. Yet with hindsight the gloom was hopelessly overdone.

The balance of payments was necessarily in deficit in the 1970s, as investment built up in the development of North Sea oil. Despite all the talk of strikes by investors in the gilt market, the Bank of England demonstrated an unexpected flair for marketing 57 varieties of government IOU. In the event, the late 1970s turned out to be that rare thing, a period of successful export-led growth, which came just as the world was about to make the transition from inflation to disinflation. Could the early 1990s also turn out to be better than they felt at the time?

Poor response

As for the government's funding position, it is clearly uncomfortable, even in a world now largely devoid of exchange controls. Estimates for the public sector borrowing requirement in 1993-4 range upwards from £50bn, while total annual institutional cash flow, most of which normally goes into equities, is a little under £50bn. The poor response to the government's gilt-edged auction this week carried a notable echo of the 1970s. Yet if the government confronts an investors' strike, its wounds are partly self-inflicted: it

persists in applying the so-called full funding rule, whereby the PSBR has to be financed entirely from outside the banking sector. A safe prediction for 1993 is that this funding rule will prove no more durable than the government's commitment to the Exchange Rate Mechanism. And it would make sense to be rid of it sooner rather than later. The threat of inflation, on which the rationale for the rule rests, is greatly overstated in the government's rhetoric when its own figures show that the broad M4 definition of money actually shrank in December and dropped out of its 4.8 per cent monitoring range.

Strict proviso

In an economy that has suffered two years of shrinking output, the need for further cuts in interest rates is blindingly obvious. Even after the recent weakness of sterling, the exchange rate is still less competitive than in the second half of the 1970s. And by offering a steeper yield curve, whereby short gilt rates are substantially below long rates, the government would be offering the banks a means of recapitalising themselves by making low risk profits, just as the US banks have done.

Encouraging banks to buy gilts would not only stop the shrinkage in broad money, since reduced sales of gilts to the non-bank institutions would lead to more deposits in the banking system; it would also give a fillip to bonds and equities, thereby reducing the cost of capital to industry and commerce. There is, however, one vital respect in which this rosy scenario remains strictly conditional. In the 1970s the International Monetary Fund was there to impose a tight fiscal embrace on the Labour government. Today, although the PSBR is heading for comparable magnitudes as a percentage of GNP, the IMF is absent. This matters, because if export-led growth is not to run into a balance of payments constraint and, ultimately, a renewed upsurge in inflation, the government has to rebalance policy to ensure that aggressive monetary relaxation is matched by a courageous fiscal policy designed to address the structural element of the budget deficit. Nothing, alas, in the recent record suggests that the government is up to the task.

The committee and the colliers

GIVEN THAT it only had 90 days to complete its work, the select committee's report on the coal industry is a thoroughgoing analysis of a tortuous subject. Possibly more important, it strives to be free of political bias, which means that Mr Michael Heseltine will be obliged to take it seriously as he formulates his own proposals for next month's White Paper.

That is a pity, because the package of subsidies and other regulatory measures which the MPs propose is greatly in excess of what is required to bring sense to the UK energy scene. If fully implemented they would add to the thick layers of aid and protection which have been granted over the years. Who can believe yet another promise that one last brave will get a state-owned British coal up on its commercial feet?

Other adjustments

The report's 39 recommendations reveal unwillingness to face the facts that stared the government in the face when it proposed to cut coal last autumn. Tinkering with one part of the energy market merely creates a need for compensating adjustments all down the line. There is also a worrisome proposal that the electricity industry regulator should have the power "to consider the legitimate long-term interests of indigenous fuel producers" - another open invitation to allow producers to inflict higher than necessary costs upon UK industry and consumers. All this suggests that while the overt subsidy may amount to £500m (a relatively small figure compared with many that have been mentioned), the hidden costs in perpetuating the present arrangements will be much higher. It is disingenuous of the committee to claim that the cost

can be borne by redirecting the proceeds of the levy which subsidises the nuclear industry. This device would only throw nuclear's costs on to the Treasury and thus the taxpayer.

Since, however, the political realities make subsidy inevitable there is some comfort to be drawn from the committee's desire at least to limit financial support for British Coal in size as well as time. The continuation of subsidies would be linked to progress in cost-cutting - though the report does not spell out how this would work, nor what would happen if British Coal fell behind its targets.

Sense of realism

The committee has also wisely resisted the temptation to cut back the natural gas industry, having failed to discover decisive evidence in the arguments of the coal lobby that gas is much costlier than coal. In addition, it has left the capacity of the nuclear power industry untouched, believing that the nuclear review which the government has already promised should be allowed to run its course, albeit next year rather than in 1994.

There is also realism in the committee's refusal to recommend barriers against imports, though it does nurse hopes that government can do something to reverse the flow of electricity from France through the Channel link. This sits ill with the leading role that Britain is playing in trying to open up and liberalise the EC's single market in energy.

The political importance of the report is that it tells Mr Heseltine the number of jobs and pits the House of Commons expects him to save. He should counter this offer with a proposal for wholly transparent subsidies, a tighter timetable, and as few as possible ancillary controls. He should also pick up the committee's anxieties about the dualistic tendencies of PowerGen and National Power, which resulted from a flawed privatisation and which will in the end need to be countered either by firmer regulation or break-up. But above all, Mr Heseltine should announce that British Coal will join the private sector and be subsidy-free by the next election in 1996-97.

Here's the bad news: big, old-established companies everywhere face a slow, long-drawn out crisis, from which many will not recover. Here's the good news: in English-speaking countries, at least, those companies' owners are now refusing to take the crisis lying down.

Together, these facts lie behind the abrupt departures this week of bosses at IBM and Westinghouse in the US, Lasmio in Britain, and Canada's PetroCanada, and a string of recent resignations in big companies, ranging from the UK's British Petroleum to Australia's Westpac, General Motors in the US, and Canada's Royal Trust.

The crisis of the large corporation creates an urgent need for change at the top; a revolutionary change in the attitudes of investors - and of the non-executive directors who represent them - is what makes the change possible.

Big companies are in crisis for a host of reasons. One is, simply, age: most developed-country economies are still dominated by the companies that first achieved national leadership in their markets a century ago. They are managed on a model which dates back to Alfred Sloan's General Motors.

A corporate culture with its roots in the 19th century is thus, in many companies, combined with a management structure that dates back to the 1930s. Not surprisingly, many such businesses cannot cope with a wave of pressing problems:

- Global competition is now a reality in many sectors, spelling an end to protected domestic markets and safe, reliable profits.
- The lean production system, pioneered by Japanese car makers, requires a complete transformation of manufacturing and distribution techniques - and may in time pose a similar challenge to service-sector companies as well.
- The microprocessor wipes out the competitive advantages of companies relying on (or selling) older generations of computing equipment. More generally, today's vast, cheap information flows make the traditional management hierarchies of large companies obsolete.
- Economies of scale, the solid foundation on which big companies have based their dominance for decades, may no longer be an overwhelming advantage. Changes in information technology, in the financial system, in flexible production techniques, in the growth of companies offering all-comers the distribution and support systems which previously only the largest companies could afford - all these are nibbling away at the advantages of economies of scale. The economies of scale - communications overheads, inflexibility, the not-invented-here syndrome - are becoming increasingly clear.

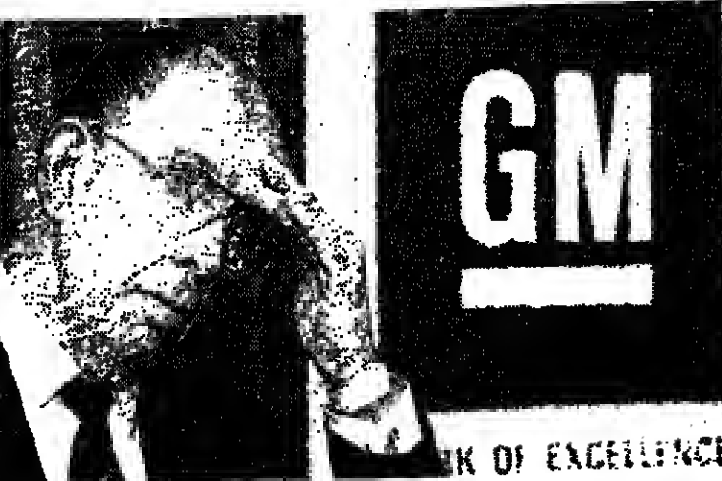
In the long run, these problems may prove more than many old-line companies can cope with. Their owners are increasingly unwilling to accept that as inevitable, however. In the English-speaking business world, their unhappiness is starting to have a clear impact on the executive suite.

This week, for example, John Akers stepped down as chief executive of IBM; James Robinson left the same job at American Express; Paul Lego went as chief executive of Westinghouse; Chris Greentree resigned as chief executive of Britain's Lasmio; and PetroCanada's chief executive, Wilbert Hopper, was "relieved of responsibilities".

In the UK alone, the past year has seen some 25 British senior executives leaving their companies unex-

The exodus of bosses signals a crisis in big companies and a new willingness by owners to act, writes Peter Martin

Life gets tougher at the top



Robert Stempel, former chairman of GM



Chris Greentree



Paul Lego



John Akers



Robert Horton

pectedly, usually under the pressure of poor corporate performance. In the US, where the cult of the "imperial" chief executive had left many bosses in impregnable positions, the number of departures has speeded up recently.

The pattern was set, last year, by the resignation of Robert Stempel as chairman and chief executive of General Motors, perhaps the most ossified of America's industrial dinosaurs. Others are departing in his footsteps.

What has brought about this new lack of tolerance for poor performance, on the part of investors and corporate boards? From the investors' point of view, the past few years have produced growing dissatisfaction with the traditional remedies for poor corporate performance. Takeovers once provided a possible exit, but they have largely dried up. Market forces are not the only cause for this: in the US, legal changes have slightly tilted the balance of advantage towards a defending company. In any case investors feel a lingering regret over some of the takeovers they have allowed.

Simply selling the shares, the other traditional remedy, is also seen as less attractive. A growing recognition, on the part of many shareholders, that they are locked into holding a stake in the biggest

companies has made them more interested in obtaining the best performance from those companies.

Although in principle investors have more freedom of choice over shares in medium-sized or small companies, in practice they feel just as trapped, said one UK institutional fund manager this week. By the lack of liquidity in such stocks, selling out a significant stake becomes unthinkable, because to try to do so would move the price too far against you.

That has led investors to try harder to influence the companies of which they are shareholders. Just as important, corporate boards are starting to respond.

The mechanisms are different on the two sides of the Atlantic. In the UK, the intimate, clubby nature of the City has always allowed investing institutions to keep in touch with each other informally. They have traditionally preferred to exercise influence in the same way, over lunch or drinks with directors. Now, though, there is a growing tendency to act through letters or meetings with the company.

Institutions still prefer to act individually, rather than as members of a group, but the cumulative effect of a series of such meetings can be powerful. And power is closely con-

centrated: a survey of top corporate pension funds by the 100 Group of finance directors showed that six external money managers and five internal managers handle 55 per cent of their funds.

Because the typical British company has a non-executive chairman, there is an obvious point of contact for investors wishing to complain about the performance of the chief executive. In the US, where a big company's chairman is usually also its chief executive, it has been harder for investors to find an independent but influential figure to complain to.

There have traditionally been other disincentives for action in the US. The legal structure was for a long time tilted against shareholder action, both because managers were allowed wide freedom of action under corporate law and because large shareholders were legally discouraged from circulating material to each other about a company. A much less concentrated money management industry than in the UK, geographically scattered and divided between incompatible private-sector and public-sector camps, was also unable to bring influence to bear successfully.

Many of these factors seem to be changing. First, says Martin Lipton, of Wachel, Lipton, the US corporate law firm, institutions have

shifted their attention from the mechanics of corporate governance towards basic performance. This has given them much greater impact, because whereas the previous area of debate - about whether companies should be allowed to erect takeover barriers, for example - allowed plenty of scope for honest disagreement, the new one is much less ambiguous. It is hard to disagree, for example, with complaints about the management of a company which loses nearly \$5bn, as IBM did last year.

Money management is becoming more concentrated, and some of the biggest funds, such as Calpers, the California state employees' pension funds, are starting to take a more intimate interest in the companies in which they invest. The legal framework has also shifted, in part to respond to complaints that unfettered company bosses are paying themselves too much money. The Securities and Exchange Commission has allowed shareholders to communicate more freely, and the judiciary in Delaware, where most big American companies are registered, has been emphasising the duty of the board to keep management under review. Directors are starting to worry that they may face shareholder class-action suits if they fail in this duty.

As a result, non-executive directors have been fumbling towards a mechanism that allows them to respond to complaints from shareholders. The typical pattern is for a leading non-executive member of the board - perhaps a retired chief executive from another big company - to take the lead, perhaps by obtaining the chairmanship of a committee specially set up to watch over incumbent management. He or she may orchestrate the departure of the chief executive, and will then head the search for a replacement, perhaps standing in as chairman for an interim period.

At one stage, the UK's Cadbury committee on corporate governance seemed about to institutionalise such a role at those British companies where the chief executive is also the chairman. In its final report last year, it stepped back from this suggestion, but continued to emphasise the desirability of a non-executive chairman. Institutions now seem inclined to demand this of every company where there is a problem with earnings.

US chief executives have the choice of two possible responses to the wave of executive departures, says Professor Jay Lorsch of Harvard Business School. The better ones will welcome greater accountability, restructuring their boards to accommodate it. Others will try to control their boards more tightly.

In the short run, that may help them keep their jobs. But in the long run, there is probably no alternative to embracing the new era, and facing up to the crisis of the corporation. It can be done: one of the oldest-established companies of them all, General Electric of the US, has reinvented itself over the past decade. Its chairman, Jack Welch, has transformed everything from its mix of businesses to its day-to-day operating procedures.

But GE is in many ways an exception, and the stock market knows it. Shares in the 10 largest US manufacturing companies, measured by sales, have underperformed the rest of corporate America by 22 per cent in the past decade. As long as this pattern continues, the crisis of the corporation will be a boardroom crisis, too.

Making the leap out of the lap of luxury

Under Helmut Werner, its next boss, Mercedes-Benz is expanding its product range, says Kevin Done

A first glance Helmut Werner does not look like a revolutionary. The urbane 56-year-old has worked himself up German industry's corporate ladder with apparent ease, but little in his career has suggested that he would be the man appointed to break the mould at Mercedes-Benz, the world's most prestigious luxury car maker.

This week, however, Werner announced that Mercedes-Benz had decided to embark "on a very extensive realignment of its strategic product policy".

"The company would transform itself from a car manufacturer with a long tradition in the luxury class" into "an exclusive full-line manufacturer offering high-quality vehicles in all segments of the market", said Werner.

Before the end of the decade there would be a Mercedes-Benz people carrier, or multi-purpose vehicle à la Renault Espace or the Toyota Previa. There would be a modern four-wheel-drive leisure utility vehicle for off-road driving. And there would be a small Mercedes-Benz city car for urban commuting. These would be in addition to the present three ranges of luxury and executive cars.

Almost in passing Werner uttered what for a previous holder of his office would have been heresy: Mercedes-Benz's present luxury cars were "over-engineered" and, if the company persisted with its policy for developing new models, it would be "priced out" of world markets.

He made it clear that the only way Mercedes-Benz could maintain its engineering and quality leadership was if it could also achieve

leadership on cost.

Gone are the days, apparently, when the charging of premium prices could cover up for costs that were too high. "No one in the world is prepared to pay for German car placency on the cost front," said Werner, in a message guaranteed to chill the company's overmanned workforce.

Werner does not officially take over as chief executive of Mercedes-Benz, the automotive subsidiary of Daimler-Benz, Germany's highest industrial corporation, until late May, but he hit the road running this week.

Werner's brave new world will not be won without pain. He accepts that Mercedes-Benz lags behind rivals on costs and productivity

He needs to, in order to meet the challenges the company faces in the 1990s. After more than a century during which its three-pointed star has been one of the world's ultimate status symbols, Mercedes-Benz has been shaken by the arrival in force of the Japanese car makers in the world luxury car market.

From a standing start in late 1989, Toyota, Japan's leading volume car producer, has established a luxury car franchise in the US under the brand name Lexus. Last year it sold 92,890 cars in the US, against 63,312 sold by Mercedes-Benz. The German group has also been

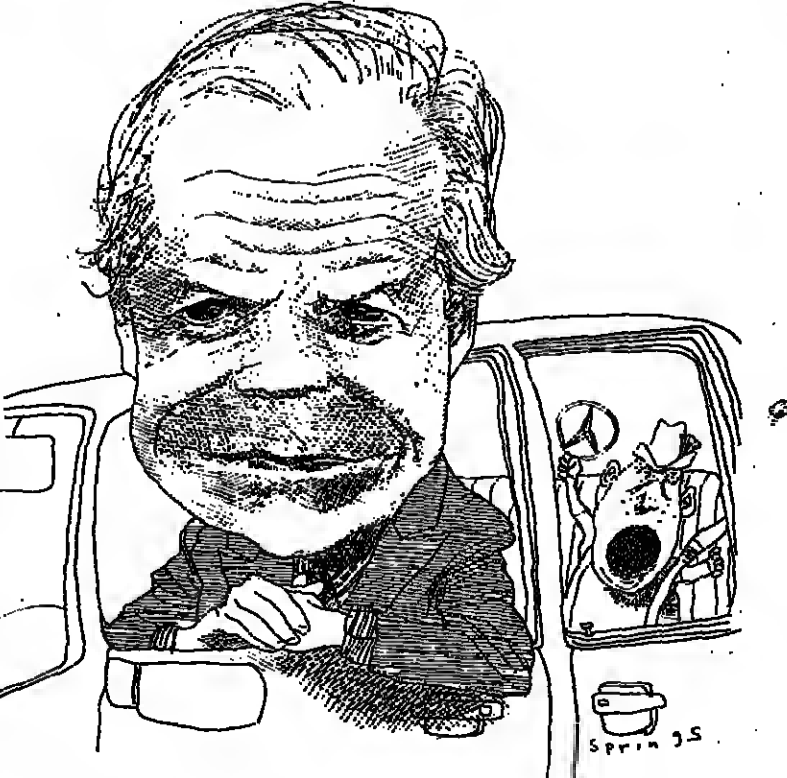
stung into action by the strength of the negative reaction to its new S-Class range of luxury saloons launched with much pomp two years ago in Geneva. The company had laboured for five and a half years to develop a successor for its previous 11-year-old S-Class but, by the time it arrived in the marketplace, its bulk made it appear out of tune with an era that was already forsaking conspicuous consumption for other values.

Another raw nerve was touched in Stuttgart, with the publication of the Massachusetts Institute of Technology's \$5m, five-year study on the future of the automobile, entitled *The Machine That Changed The World*. The report exposed the gap in efficiency, costs and quality between the so-called "lean" car producers, chiefly although not exclusively the Japanese, and the outdated mass producers, mainly the European and American producers.

The MIT team had visited a Mercedes-Benz plant in Germany. "At the end of the assembly line was an enormous work and rectification area, where armies of technicians in white laboratory jackets laboured to bring the finished vehicles up to the company's famed quality standard."

The team found that "a third of the total effort involved in assembly occurred in this area. In other words, the German plant was expending more effort to fix the problems it had created than the Japanese plant required to make a nearly perfect car the first time".

Werner's cultural revolution is now set to address such shortcomings. The first signals that significant reforms were planned had emerged



over the past year, as Mercedes-Benz had shaken up its top management team. Helmut Werner himself is the replacement for Werner Niefer, the 64-year-old Mercedes-Benz chairman.

Niefer, the pugnacious former Mercedes-Benz apprentice with an often incomprehensible Swabian accent, had worked himself up from the shopfloor to the top of the company. Werner, on the other hand, has the easy flair of an international manager.

The executive was courted by Volkswagen while he was deputy chairman at Continental, the German tyre maker. He chose instead to move to Mercedes-Benz at Stuttgart, where he was immediately seen as one of the heirs apparent.

Around him Werner is quickly gathering a new generation of managers who mark a decisive break with the past. They include Dieter Zetsche, the 39-year-old director for car research and development. Bald-

ing, with a walrus moustache and a liking for brightly coloured ties, Zetsche has replaced the reserved and conservative Wolfgang Peter, the creator of the S-Class, who left the company last year.

However, Werner's brave new world will not be won without pain and dislocation. He accepts that Mercedes-Benz still lags way behind its rivals in costs and productivity.

Fixed costs are "still appreciably too high", layers of management are to be removed, there will be a "rigorous pruning" of white-collar central staff. The life-cycles of Mercedes products have to be reduced to about eight years from 11 years, while the development time for new products has to be cut from 11 to 57 months to less than 44. And the break-even volume for a vehicle line must be reduced to 60,000 a year.

Now that he has unleashed his revolution, Werner must show that he can ride it.

Hat trick for British Aerospace

Europe's largest defence contractor hopes it has restored credibility with a £5bn Saudi order for Tornado aircraft, says Paul Betts



Results by sector £m	Sales			Operating profit (loss) before interest		
	1991 full year	1991 2nd half and Dec	1992 1st half and Jan	1991 full year	1991 2nd half	1992 1st half
Defence systems	4,086	1,918	2,021	500	281	296
Commercial aircraft	1,851	839	659	(37)	(32)	(266)
Motor vehicles	3,744	1,863	1,851	(52)	(43)	(31)
Property development	287	8	30	(24)	(5)	(6)
Construction	592	307	314	40	20	12
Other businesses & headquarters	252	155	157	(73)	(35)	(14)
Less: Intra-group	(550)	(204)	(204)	—	—	—
Total	10,562	4,896	4,628	354	186	(29)

Mr Dick Evans, BAE's chief executive, was in high spirits yesterday afternoon.

"I feel above all a sense of relief," he said, slouched in a chair in the company's offices near London's Charing Cross Station. "I've consistently been in a minority of one, telling the world we would do this deal," he added. He was referring to the £5bn defence contract for 48 more Tornado combat aircraft and other equipment signed with Saudi Arabia on Thursday by Mr John Major, the prime minister.

With the big Saudi order, BAE has managed to clear in the space of two months the three biggest uncertainties which had been clouding its future as Europe's largest defence contractor and one of its principal commercial aircraft manufacturers.

The three "home runs" as BAE calls them - the compromise with Germany in December enabling the European Fighter Aircraft programme to continue; the partnership signed last week with Taiwan in the regional jet business; and the Saudi Arabian order for Tornado aircraft - have now dramatically changed the investment community's sentiment about the company.

BAE's share price has more than doubled in the past six months from a low of 100p to 253p at yesterday's close. But although the company appears to have confounded its many doubters, it is not yet entirely out of the woods.

Mr Evans underlined the point when he said: "I don't want anybody in the company to run away and think that we can now sit back and lean on our shovels."

All its main activities, from defence to commercial aircraft, from cars to property, are still in depressed markets with few signs of imminent recovery. It

is also still a long way from restoring its profitability, badly dented by its diversification and takeover binge of the late 1980s following its privatisation.

But Mr Evans said BAE had now at least been given some stability. "We can now begin the process of regaining some credibility," he added, emphasising that the priorities were "to keep the business under tight control and weather out the recession while we continue developing alliances to give greater robustness to the group".

He candidly admitted that BAE had gone through a rough time. "No doubt about it, management last year faced up to a hell of a job and we've had a particularly difficult 18 months."

"What brought BAE down to its knees in the first place was that five- to six-year period when it suffered massive cash outflows because of what was clearly an unsustainable investment rate," said Mr Keith Rodgkinson, aerospace analyst at the investment house of Shearson Lehman.

While having to face the difficulties of an extremely tough business climate, it has also had to confront the internal traumas of a highly publicised top management shake-up following the boardroom coup to force out Professor Sir Roland Smith as chairman 16 months ago.

The appointment last May of Mr John Cabill, the former chief executive of BTR, the UK industrial conglomerate, as chairman did little at first to restore morale and confidence inside Britain's biggest exporter of manufactured goods. As if the company did not have enough troubles of its

own, in June Germany dealt BAE a body blow by threatening to pull out of the four nation EFA project.

Even after the new chairman announced a recovery programme, involving the restructuring of the company's loss-making commercial aircraft activities, the closure of its historic Hatfield aircraft manufacturing plant near London, and more job cuts (the company lost 13,400 people in 1991 and has announced an

additional 8,000 job cuts last year), the City of London and BAE's shareholders remained unimpressed.

Mr Evans said at that time BAE had to address the three critical issues of the future of EFA, securing a new Saudi order, and resolving the problems of the regional jet business. "I am in motion the recovery strategy aimed at cutting losses and refocusing BAE on its core defence, aerospace and car-making ties."

The compromise with Germany over EFA, now rechristened Eurofighter, and the long-awaited Saudi contract have underpinned the future of BAE's profitable military aircraft business. "If we had not received the Saudi order, we would have had to shut down completely the regional jet business in a couple of months' time," explained Mr Evans. "We can now also plan sensibly our medium-term production before EFA production comes

on stream," he added.

The partnership with Taiwan Aerospace has also ensured, for the time being at least, the future of BAE's presence in the regional jet market. It will also enable the company to address the next stage of its commercial aircraft restructuring.

BAE will now be able to release some of the £750m restructuring provisions it made in its accounts last year largely to cover a possible total shutdown of regional jet activ-

ties for the restructuring of its turbopropeller commuter aircraft business. The company is already considering an alliance with other partners and contacts are believed to have already begun with the Franco-Italian ATR turboprop commuter aircraft group.

Mr Evans remains confident of the longer-term prospects of Airbus, the European commercial aircraft maker in which BAE has a 20 per cent stake. "The trouble with the civil aircraft business is that it follows a long lead and we don't know when it will turn around, but when it happens the industry will not be able to keep up with the demand," he said.

Also at Rover, Mr Evans is waiting for the car market to recover. "When it does, I think Rover will turn the corner," he said. Rover continues to be heavily dependent on the depressed UK car market and its challenge will be to improve its penetration of the continental European market. The company is now pinning big hopes on the launch in April of the new Rover 600, a medium-sized family saloon which will complete the new Rover car range. "April will be enormously important for Rover, and with the 600 we will be taking on the BMW3 series head to head," Mr Evans added.

BAE is also continuing to review possible disposals of assets which do not fit its refocused strategy. Some parts of its property business could be hived off, although Mr Evans said the company was in no hurry and would not sell at any price.

The same applies to the space division and to the corporate jet division. Both were put up for sale last year, but

BAE has now decided to hold on to these activities because it failed to receive any sufficiently attractive offers.

Restoring credibility in the group has become all the more important as BAE continues to explore new alliances and partnerships at a time of growing consolidation in the defence and aerospace industries.

Having already established close links with the German and US aerospace industries in military aircraft programmes, BAE is anxious to build up strong relations with the French industry now in the throes of restructuring. "It was a tragedy France did not come in on an European military aircraft programme and our company has to have a better working relationship with both Aerospatiale and Dassault of France," Mr Evans said.

The triple breakthrough on the Saudi, EFA and Taiwan fronts may now also reduce the prospect of a takeover. At the time of BAE's management crisis in 1991, the General Electric Company was widely tipped as a likely bidder. With the share price recovering and the company showing renewed confidence, some analysts suggest GEC may have now missed its opportunity and become a "victim" of its own over-cautiousness.

In the words of one, "Others, however, believe GEC is still waiting in the wings to strike and was not prepared to move until BAE clinched the new Saudi deal."

Mr Evans did not seem very concerned. "We and GEC need each other, in some small cases we compete but much of the time we are complementary," he explained. As for the possible intentions of Lord Weinstock, GEC's managing director, on BAE, Mr Evans simply said: "My guess is that Lord Weinstock is delighted to see we have turned the corner and got to grips with some of our problems."

Raymond Snoddy examines new figures on who's listening to what on British radio

All ears tuned to revolutionary research

Television may be the dominant broadcasting medium in Britain, but millions of pairs of ears still regularly tune in to radio.

The first joint radio research covering both the BBC and the commercial stations shows that more than 41.5m adults - 89 per cent of the country's total - listen to radio at least once a week.

The research by Radio Joint Audience Research (Rajar), based on 56,000 listeners keeping detailed diaries over a three-month period, gives Classic FM, Britain's first national commercial radio, a weekly audience of 4.25m or 9 per cent of the total. Rather more surprisingly, Atlantic 252, a long-wave interloper broadcasting pop music from Ireland, had 3.8m adult listeners in its official survey area, which covers about 70 per cent of the UK.

In the battle between the BBC and the commercial stations the corporation is still ahead with the help of its big guns: the five national channels from Radio 1 to Radio 5. Altogether the BBC has 89 per cent of UK adults listening at least once a week and accounts for 58.4 per cent of total radio listening. Fifty three per cent of the adult population now listens to some form of commercial radio each week and the sector has a 37.5 per cent share of all listening.

But more important than these revealing figures is the fact that the Rajar research exists at all. For years the BBC and the commercial sector have produced separate listening figures using different methods; and then they have squabbled about the results. They wanted to end the confusion so set Rajar up last year.

Now, a benchmark has been set for advertisers buying airtime and for those wondering whether BBC Radio provides value for money.

On Wednesday, the Association of Independent Radio Companies had a tricky decision to take at its annual meeting. Should the companies agree that the Rajar findings should be published, even though the news for some may not be good and there may be "glitches" in the first of what will be quarterly reports?

The decision to publish immediately was virtually unanimous, even though the disclosures might involve rough justice for a number of stations whose listening figures appeared to be surprisingly low.

"I think that shows great maturity and robustness of confidence in the medium," Mr Jimmy Gordon, managing director of the successful

Radio Clyde group, said yesterday. The results, particularly for local stations, appear to be lower than previous figures compiled separately. Mr Richard Eyre, managing director of Capital Radio, agrees that the industry should be given credit for having the courage to publish, but added: "It is surprising that the result should deliver a blow that is greater to IRL (independent local radio) than it is to the BBC."

The arrival of the first common currency for radio ratings in the UK comes at a turning point for the radio industry.

The BBC, under its new director-general, Mr John Birt, is in the middle of redefining what its role in radio should be as the debate gets under way with the government on the renewal of corporation's royal charter. It runs out at the end of 1996.

For the commercial companies offering a total of 140 radio services on both AM and FM the challenge is different and larger. The task is to break away from the reputation of commercial radio as a bit of an also-ran in the media stakes, doomed to be a 2 per cent medium

- taking a share of about 2 per cent of all UK advertising revenue and reliant on the growth of overall spending on advertising for their own growth, rather than increasing their share.

Radio revenues from advertising last year are expected to be between £130m and £140m with opinion divided on future prospects. Some in the industry believe a "quantum leap" in advertising revenue is possible with the arrival of new national commercial stations, but others believe the growth will be more gradual.

On the face of it the "numbers look pessimistic. Since 1979 the number of hours of commercial radio has grown by more than 55 per cent, yet its share of advertising revenue has remained static."

Mr Douglas McArthur, chief executive of the new, independent Radio Advertising Bureau, believes this can be changed and has set himself a target of doubling radio's share of national advertising by 1996.

Mr McArthur, who has put together a team of radio research and planning specialists, Sound Planning, to work with companies

which have not been regular users of radio advertising, had a small piece of good news for his colleagues this week.

After two weeks of working with the Unilever brand, Batchelors Cup-a-Soup, on Wednesday morn-



ing Unilever decided to buy airtime.

"By the end of this year, Sound Planning will have delivered at least £2m to stations and I aim it to reach a rate of £5m per year," Mr McArthur said.

The Advertising Association is forecasting 8 per cent real growth in radio advertising revenues this year followed by 5 per cent in 1994. Zenith, the large media buyer, is more pessimistic and foresees little real growth.

With Classic FM successfully launching the industry hopes that the launch of the second national commercial station (NR 2) in April - Virgin Radio, devoted to popular music - will further stimulate advertisers and listeners' interest. The third scheduled national commercial station, which will be speech-based, has been delayed until 1995 because of the recession.

In the meantime, Mr Eyre of Capital has decided to launch "NR 4". This is a proposal to market the existing IRL stations as a network so that an advertiser can buy into all of them at a particular time of day or into a particular type of programme. "I'm cautiously opti-

mistic," says Mr Eyre, who believes it is possible to double radio's share of national advertising by 1996.

While the commercial stations are preoccupied with attracting advertising, the BBC has set itself a different task. It aims to develop "recognisably distinctive and innovative services". For Radio 1, for example, the emphasis will be on range and diversity of music rather than just playing what is most popular. A 24-news and current affairs network is planned for next year.

An example of how the BBC plans to differentiate itself from its commercial rivals came this week in London. GLR, the regional station for London, increased the proportion of news and current affairs during its peak listening hours.

As commercial broadcasters were speaking yesterday of the rather unpalatable survey results, it was clear that it will be some time before an accurate trend is established and all the glitches removed from the new survey.

Over at the BBC it was Mr David Hatch's last day as managing director of BBC Network Radio before becoming special adviser to Mr Birt. "It is remarkable and a credit to our producers, writers, musicians, actors and broadcasters that over 60 per cent of the British public listen to one or more of the five BBC networks each week," Mr Hatch said.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Interest cuts overlooked

From I R Ferguson.

Sir, The soundings you take from the Treasury's advisory panel on the wisdom of further interest rate cuts (January 22) and the wider discussion of the issue, perhaps overlook one significant point.

Many mortgage holders have policies on which interest payments are adjusted annually. Only now are the 1992 interest rate cuts working through. The resulting substantial changes in monthly outgoings can be expected to give a big boost to consumer confidence and spending. Combined with the need to eschew additional inflationary pressure from sterling depreciation, this would seem to justify a cautious approach to further rate cuts.

I R Ferguson,
Eltham College,
Croose Park Road,
London SE9 4QF

Education needs government to adopt 'hands off' policy

From Mr Michael Ross.

Sir, Joe Rogaly's praise of the government's persistence with its "sensible" education reforms ("Less than the sum of its parts", January 26) suggests he has been taken in by the gloss rather than the reality of the reforms.

Will employers see it as sensible next year when grades C, D and E, which are the grades obtained by the majority of 16-year-olds, are squeezed into national curriculum levels 6 and 7, involving the abolition of the useful C/D boundary?

Do parents think it is sensible that the last age cohort which has not been following the national curriculum in English in secondary schools will be the first examined on it next year? Or that the reports for 14-year-olds this year will contain some 69 grades for

every pupil? Some may even question the legality of testing 14-year-olds at levels 3-6 on Shakespeare when the statutory orders clearly specify level 7 as the first level at which this can be applied.

The well-established examination boards have strict moderation procedures for speaking and listening, give schools 24 months' notice of examination texts, and maintain strict security over examination papers. Will they think it sensible that they are criticised by a government whose own examination body, SEAC, has no inter-school moderation procedures for speaking and listening, gives schools six or eight months' notice of examination texts, and seems to have been planning to use its pre-test papers as the actual exam? The procedures of the established

boards are light years ahead of the government's own procedures as reflected by SEAC.

The truth is that this government has alienated the profession to an unprecedented degree. The legacy of years of not listening to the profession is an administrative shambles. The sensible policy for the government to adopt would be a "hands off" approach, and re-establishment of the GCSE in its pre-national curriculum form.

Only in this way could the genuine rise in standards, reflected in consistent improvements in "A" level results, be maintained and flourish.

Michael Ross,
head of English,
Llanilltud Fawr Comprehensive
High School,
Horn Lane East,
Llanilltud Major CP6 9YQ

Promoting UK more difficult

From Mr William Davis.

Sir, I hope you will allow me to set the record straight about the British Tourist Authority and English Tourist Board ("Tourist chief failed to win allies", January 26). The ETB board unanimously expressed its dismay at the government's decision to cut its grant-in-aid. So did the chairmen of the 11 regional boards. The BTA may appear to have its grant-in-aid maintained, but devaluation of sterling has substantially reduced our ability to promote Britain around the world.

I also want to make it clear that it was entirely my decision to give up the chairmanship of both boards at the end of March.

William Davis,
chairman, British Tourist Authority and English Tourist Board,
24 Grosvenor Gardens,
London SW1W 0ET

No conspiracy by independent financial advisers on competition

From Mr Peter L Tann.

Sir, I enjoyed reading Barry Riley's "Long View" (January 23) because it put the independent financial adviser in a new light, which is always refreshing. I agree with his point that it would be a shame if IFAs were "eliminated", thereby reducing consumer choice and removing yet another distinctive British tradition.

However, on other points I disagree. IFAs were and are a much less organised and cohesive group than he suggests. As a manager of a network of over 1,000 of them, I can attest to their disparate natures; about the only thing they have

in common is their pride and belief in independence.

Barry Riley would have us believe that IFAs were not only vocal but successfully conspiratorial in their bid to introduce polarisation into the legislation as a means of restricting banks and building societies from retailing investment products. As a group, IFAs just did not have the necessary institutional arrangements in place to effect such a plot.

IFAs ought now to feel threatened by those banks and building societies which are getting into ownership and distribution of their own brand of life and investment products.

And surely their only way is to respond exactly in line with what Barry Riley implies has been going on, ie they must get ideas "above their station" if they are to differentiate themselves from the mass consumer marketing which threatens to overwhelm them.

My observation is that IFAs see both the threat and the opportunity. Some will inevitably leave the arena, but new entrants are coming in, often from the ranks of tied agents. These people are now required to pass an examination before putting up their brass plate. Many IFAs are responding by joining networks, the ultimate

test of which will be their ability to help members meet their own aspirations and the needs of clients. The other test will be how well they cope with the increasingly tight regulatory environment presaged by the debate on the future of the Personal Investment Authority.

If they can cope with all, then the threat of extinction, as implied by Barry Riley, will have been avoided. Peter L Tann,
chief executive,
Countrywide Independent Advisers,
Littlegate House,
St Ebbes Street,
Oxford OX1 1PS

Jumping the election gun

From Mr Geoffrey Selwyn.

Sir, It is a pity to upset Joe Rogaly's assumption ("Yes, but no sex appeal", January 22) but, at the turn of the century, President Clinton will at best be three weeks away from relinquishing office while Mr Major will probably have to win two elections.

There are 2,900 days, or just more than 95 months, to the turn of the century which will occur at midnight on December 31 2000! Geoffrey Selwyn,
32 St Mary's Avenue,
Northwood, Middlesex HA6 3AZ

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COMPANY NEWS: UK

Royal begins to break up reinsurance side

By Richard Lapper

ROYAL Insurance is to begin dismantling its reinsurance subsidiary, Royal Re, in line with a strategy of focusing on core direct insurance business.

Some parts of Royal Re's portfolio - which generated more than \$150m in premium income in 1992 - will be transferred to its industrial risks subsidiary, Royal Global. The rest of the company's UK-based reinsurance business will be run-off.

While Royal Re's US arm, American Royal Re, will continue to trade for the moment, it is understood that the group will seek to sell the operation.

which accounted for under 20 per cent of premium income last year.

"The market has seen a deterioration in results due to inherent problems and an unprecedented number of natural catastrophe losses", explained Mr Richard Gamble, group chief executive.

Against this background, together with Royal Re's relatively small worldwide market share, it was in "shareholders' best interests to reduce its involvement in the market", added Mr Gamble.

In order to facilitate an "orderly withdrawal" from the market Royal said it had acquired the 20 per cent minor-

ity stake in Royal Re previously held by Aachen Re.

Yesterday's announcement follows a number of unsuccessful attempts to sell Royal Re. Last year the group said reinsurance was identified as a "non-core business in the long-term".

Other insurance companies have also reduced their involvement in reinsurance in recent years. Last year Prudential announced it was reducing its involvement in general reinsurance business in order to focus on life reinsurance.

Legal & General sold its reinsurance subsidiary, Victory Re, to ING, the Dutch banking and insurance group, in July 1990.

Coleridge to step up role at Sturge

By Richard Lapper

MR DAVID COLERIDGE, the former chairman of Lloyd's of London, is set to play a more active role at Sturge Holdings, the Lloyd's agency which he chairs, following yesterday's surprise resignation of Mr Peter Davis, the group's deputy chairman and finance director.

It had been expected that Mr Coleridge, who is 60, would have only a part-time involvement at Sturge, following an arduous two-year stint at Lloyd's.

Instead, he is expected to be much more involved as Sturge prepares to confront a severe shrinkage in its business.

Full details will emerge at the group's annual meeting next Thursday but it is expected that capacity of the 22 syndicates under management will fall from its £1.06bn in 1992 by at least 20 per cent in 1993.

Mr Davis joined Sturge in 1988 to help guide the group's expansion outside Lloyd's. However, in the wake of the market's recent trading problems Sturge has suffered a contraction in its business and has reduced the size of its management team accordingly.

Resignations of other senior figures are expected this year, as well as further redundancies among the group's 1,300 staff. Since October 1991 175 staff have left.

The decline of two "flagship" syndicates - 206 and 210 - is a particular concern. During Sturge's rapid expansion in the mid-1980s each syndicate - which underwrites a broad spread of insurance business - increased its capacity to over £200m.

More recently both have suffered sharp falls. Syndicate 206 may be left with less than £50m capacity in 1993, while syndicate 210's capacity could also decline by 50 per cent.

Mr Johnston Brown, group company secretary, said that many Names - individual traders whose capital supports Lloyd's - had been hard hit by recent losses and were being forced to reduce the amount of insurance traded on their behalf.

Sturge could leave the most recent years of account of syndicates 206 and 210 open, because of the sharp contraction in the syndicates' size.

Penalty of playing for high stakes

Angus Foster on Lasmo's problems and poor share price performance

THE JOKE going around the oil sector runs as follows: what do you get if you merge a £1bn company with a £1bn company? Answer: Lasmo, a £1bn company.

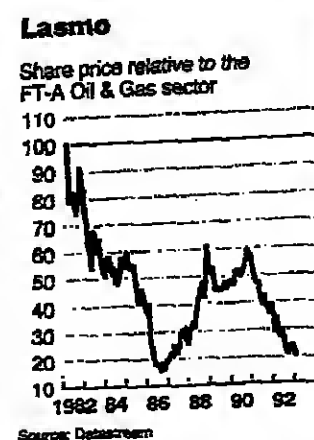
Lasmo's 1991 takeover of rival Ultramar for £1.1bn made it one of the largest UK independent oil and gas explorers, doubling its proven and probable reserves and doubling production.

However, with debt and other problems mounting from the takeover, and the depressed oil price, Lasmo has been one of the poorest performing FT-SE 100 shares. Despite a 10p rise to 165p yesterday, the shares have lost half their value since the bid was launched, and Lasmo is still a £1bn company.

On Thursday, the man largely responsible for Lasmo's rise took the blame for its share price decline. Mr Chris Greentree, chief executive since 1983, was replaced by his chief operating officer, Mr Joe Darby. The change seemed designed to silence stock market criticism and prepare for a cut in dividends when Lasmo announces results in March.

Mr Greentree, a big Canadian, was a leading figure in the independent oil industry and a dominant character within Lasmo. His mistake was to gamble Lasmo's short-term cash position on the longer-term benefits of buying Ultramar. Lasmo was generally thought to have bought the company cheaply. But subsequent sales of Ultramar's downstream assets achieved disappointing prices, suggesting asset values had already started to fall by the time of the takeover.

Lasmo was left with high borrowings and rising capital



Source: Datastream

expenditure. Despite £1.53bn (£1bn) of disposals last year, net borrowings are estimated to have hardly changed at over £1bn, with gearing above 90 per cent.

With oil prices depressed after the Gulf war, earnings have come under pressure. According to NatWest Securities, net income is forecast to rise from £17.9m to £29m for the year to end-September, including a full contribution from Ultramar. But on a per share basis to reflect the dilution effects of the takeover, cash flow and earnings will have both fallen. With earnings of 3.1p expected, analysts point out that last year's dividend of 8.5p will have to be cut more than half to be covered.

Mr Darby is spending the weekend reviewing Lasmo's strategy but is not expected to introduce radical changes. A cautious man, who is described as "quietish" by colleagues, he likes compiling lists of priorities and manages methodically. At the top of the stock market's list is for a decision on the dividend. This will not hap-



Joe Darby: reviewing strategy but no radical changes seen

pen until Lasmo releases results in March and will partly depend on the sterling oil price.

Analysts agree, in the longer term, that Lasmo has great potential and holds some excellent assets - especially in the North Sea and an Indonesian joint venture inherited with Ultramar. But in the short term, they argue that maintaining the dividend when borrowings are so high risks undermining the business.

Hoare Govett, which said the shares were overvalued until the dividend uncertainty was removed, argued that passing the final payment would save about £50m. That would give Lasmo greater scope on disposals and not force it into a fire sale of assets at undervalued prices. "With operating results deteriorating and with asset sales necessary to keep the balance sheet under control, we believe Lasmo would be financially imprudent to pay a dividend," Hoare Govett said in a circular issued the day before Mr Greentree's departure.

Institutional shareholders, however, may want Lasmo to

focus on cash flow rather than earnings cover when assessing the dividend, in line with US practice. On this basis, a maintained dividend would be about 4 times covered, well below rival Enterprise, but still sustainable.

Where both camps agree is that the ongoing programme of disposals and rationalisation following the Ultramar bid must continue to bring down borrowings and strengthen the balance sheet.

Most of Ultramar's downstream assets due for disposal have now been sold. But Lasmo could raise a further \$500m this year through disposals of upstream assets. The sale of minority holdings in the North Sea could raise £100m, according to analysts, although there would be concern if the important Markham field was sold, as has been rumoured.

Partly because of the low oil price, and partly because of its own problems, Lasmo has already indicated cuts in capital expenditure and development spending from this year. Last month Mr Greentree said capital expenditure would fall 15 per cent to £90m while development spending would fall by nearly £100m to £240m.

Assuming these programmes continue, some observers argue Lasmo could recover quickly, helped by rising production from Ultramar assets and reduced gearing. "The good news for Mr Darby," according to Mr Simon Flowers at NatWest, "is that much of what he should do is already in train."

The bad news for Mr Darby and his fellow directors is that the tricky dividend decision remains at the top of their list.

Final Brown Shipley sale likely

By Jane Fuller

THE TWO remaining businesses of Brown Shipley Holdings - stockbroking and investment management - seem set to be acquired by Kredietbank Luxembourgise only seven months after it rescued Brown Shipley & Co, the banking arm.

KBL, a sister organisation to one of Belgium's biggest banking groups, is likely to offer 30p a share for the 70.2 per cent of Brown Shipley Holdings it does not already own, valuing it at £3.8m. When KBL bought its initial 20 per cent stake in 1988 it paid 750p a share and a total of £32m.

Brown Shipley's share price slid from 51p to 35p after yesterday's announcement about the potential deal - and about the problem that had sparked it off.

This dates back to KBL's £1 purchase of Brown Shipley & Co last June. Leasing losses, bad debt provisions and a property write-down had undermined the bank's capital base and it could no longer be sustained by the holding company.

However, one of the liabilities passed on with Brown Shipley & Co has rebounded in the form of potential claims totalling £2.4m against BSH.

The claims relate to Lease Management Services, which was sold last June for £5.9m to Woodchester Investments, the Dublin-based leasing and banking group in which Credit Lyonnais of France has a near 50 per cent stake.

Although BSH has denied liability, if the claims were successful they would reduce its

net assets to less than half the £18m called up capital, necessitating an extraordinary general meeting to discuss what to do.

Mr William Dacombe, chairman and chief executive, said fighting the claims would not only be expensive, but also destabilising and had for morale. "Independence has its attractions, but the financial strength of KBL also has its attractions."

If the offer goes ahead and is accepted - and the odds are on that outcome - it will round off the break-up of Brown Shipley. That started last May with the £33m sale of its insurance broking operations to Holmwoods Group and the £10m disposal of its offshore operations to Standard Bank Investment Corporation of South Africa.

More recently both have suffered sharp falls. Syndicate 206 may be left with less than £50m capacity in 1993, while syndicate 210's capacity could also decline by 50 per cent.

Mr Johnston Brown, group company secretary, said that many Names - individual traders whose capital supports Lloyd's - had been hard hit by recent losses and were being forced to reduce the amount of insurance traded on their behalf.

Sturge could leave the most recent years of account of syndicates 206 and 210 open, because of the sharp contraction in the syndicates' size.

After exceptional charges of £120,000, the former BES company announced a profit of £74,000 in the six months to the end of September 1992, compared with £300,000 in 1991.

Profits were further undermined by rental income lost on an east London warehouse which the company sold. Rental income fell from £317,000 to £191,000.

Mr Keith Moss, managing director, said the results were better than he had hoped for. "The company had not faced attempts by rebel shareholder Mr Andrew

Palmerston drops £5.8m into the red

Shares of Palmerston Holdings fell from 25p to 13p yesterday after the property group reported a £5.78m pre-tax loss in the six months to September 30. That compared with profits last time of £476,137.

The result was after an exceptional provision of £3.85m for associated company guarantees and £1m for associated company doubtful debt.

Mr Philip Rose, chairman, said the values of the group's properties had declined since the last balance sheet date, which together with the continuing support needed by associates, had resulted in a breach of the group's covenants with its bankers.

Accordingly, the group was in discussion with its bankers regarding the continued availability of facilities. Losses per share were 26.99p (earnings £1.31p).

Rebel blamed for sharp downturn at Etonbrook

By Tim Burt

ETONBROOK, the property developer, has blamed a sharp fall in pre-tax profits on the costs incurred fighting a rebel bid for a 30 per cent stake in the company.

After exceptional charges of £120,000, the former BES company announced a profit of £74,000 in the six months to the end of September 1992, compared with £300,000 in 1991.

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Goodhead shares fall as profits dive 58%

By Matthew Curtin

SHARES in Goodhead fell 6p to 27p yesterday as the printing, paper publishing and marketing services group announced a 58 per cent plunge in pre-tax profits after exceptional charges of £133,000.

In the half-year to November 30 1992, profits stood at £181,000 against £429,000, on lower turnover of £19.3m (£22.2m).

The interim dividend is again passed; there was a final of 0.5p last time. Mr Colin Rosser, chief executive, said consistent results from the print and paper division, and its publishing side, were offset by a sharp decline at the marketing services business which struggled to break even.

Interest charges fell to £611,000 (£706,000) on largely unchanged borrowings of about £10m.

Below the line the group absorbed extraordinary provisions of £3.73m associated with the sale of its loss-making Review Group subsidiary and related properties. That left a loss attributable to shareholders of £3.64m (profit £220,000). Losses per share were 0.2p compared with earnings of 0.6p.

Mr Rosser said the group was committed to concentrating on its core printing and publishing businesses and pulling out of marketing services, which might be accomplished by the year-end. It was evaluating the future of its profitable Canadian publishing operation.

Markheath hit by provisions

By Peter Pearce

PROVISIONS OF £1.87m for declining property values led to sharply increased losses at Markheath in the six months to September 30. The pre-tax deficit was stretched from £459,000 to £471,000 and there is no interim dividend, against 0.5p last time when the final was also passed.

Mr Michael Rendle, chairman, said that in November the company breached its banking facilities - specifically two covenants - as its properties failed to generate sufficient income to cover all the interest costs.

He added that discussions with its banks were "progressing in a constructive manner" to try to renegotiate the facilities. The company said that the interim figures had been drawn up on a going concern basis, which assumes the continued support of the banks.

Mr Ian Crober, finance director, said that borrowings, having fallen from £95.4m to £72.9m in the year to March 1992, had risen over the half to £78m, but that since September 30 had been reduced to £57.4m via the sale of the stake in Progmore Estates for £13.1m. That sale should also result in a £3m tax rebate in 1993. In January a property sale for £1m was completed.

The pre-tax figure was struck after charging £2.4m to the profit and loss account - the capitalisation of interest and attributable overheads to the carrying value of properties stopped in August.

The sale of properties in the half totalled £3.17m (£3.8m). Mr Crober said the company had not been tempted to "dump" properties, "just to pay interest". Operating losses grew to £1.23m (£2.49m), while income from properties brought in £1.57m (£1.29m).

Losses per share were 4.03p (0.19p).

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IDV lifts Buton stake to 85% in £39m deal

Philip Rawstone

INTERNATIONAL Distillers & Vintners, the drinks arm of Grand Metropolitan, is to acquire Buton, the Italian spirits and wines company in which it bought a minority stake two months ago.

Through its Italian subsidiary, Cinzano, IDV has agreed

to buy BIF, a family holding company which owns 50.1 per cent of Buton, for £39.6m (£35.7m) cash.

The deal, subject to the approval of the Italian anti-trust authorities, will give IDV control over 85 per cent of Buton's shares. A public offer will be made for the rest.

IDV bought 33.8 per cent of

Buton - which makes Italy's leading spirits brand, Vecchio Romagna brandy - for £19.7m from a group of minority holders last November. It has since acquired another 1.1 per cent from that source.

The UK company originally intended to establish a worldwide trading partnership with Buton on the lines of those

recently developed with Gonzalez Byass in Spain, and Jose Cuervo in Mexico.

When acquiring the initial minority stake it arranged to sell back the shares to the vendors if an alliance proved impossible, but discussions with the majority holders quickly led to an agreed acquisition.

Arthur Shaw rebels reveal debt reduction strategy

By Tim Burt and Paul Taylor

REBEL shareholders at Arthur Shaw, the loss-making West Midlands building materials group, have proposed a debt reduction strategy designed to win support for its campaign to unseat the board.

The rebels, who claim the support of shareholders controlling 49 per cent of the equity, aim to reduce borrowing through asset disposals and the sale of Jackdaw, the engineering tools subsidiary.

In a letter to shareholders, the dissident group said the company should focus on its

core window hardware business and strengthen sales overseas.

Led by Mr Ian Tickle, Mr Pearson's predecessor, the rebels claim their campaign has been strengthened by a sharp division on the board. The split emerged after Mr Alan Bearman, a non-executive director, issued a statement disassociating himself from a letter sent to shareholders by Mr Pearson.

Mr Pearson suggested that all members of the board intended to recommend that shareholders vote against the resolutions. Mr Bearman disagreed.

Wiggins losses down to £359,000

WIGGINS GROUP, the property developer, made inroads into its losses in the six months ended September 30 1992, cutting them from £1.76m to £359,000.

Turnover was down to £1.25m (£5.22m). Net interest payable was more than halved at £368,000 and this time there were no exceptional charges, against £752,000.

Below the line there was an extraordinary £453,000 charge relating to the non-consolidation of Allison Group placed in receivership last June. Losses per share fell to 2.3p (11.1p).

Since the half year negotiations have been concluded for the sale of the South Western House Building subsidiary, which will lead to a decrease in

the deficiency of net assets of some £3m.

James Latham

James Latham, timber importer and building materials merchant, made a pre-tax profit of £54,000 in the six months to September 30.

That compared with £121,000, which included £270,000 profit on sale of site.

The interim dividend is held at 1.5p but the level of the final will depend on results and, particularly, the further impact of exceptional charges arising from closures following recommendations from consultants.

Group sales reached nearly £31m (£30.5m). Earnings per share came to 0.29p (0.83p).

The Property Trust

The Property Trust yesterday reported a swing back into the black with a pre-tax profit of £498,000 for the six months to end-September.

Mr Anthony Cheng, chairman of the property investment and development company, said the outcome exceeded the forecast of not less than £400,000 made at the time of the rights issue last October, and compared with a loss of £6.5m.

The company, which transferred from the USM to the official list last year, incurred a pre-tax deficit of £7.95m in the twelve months to end-March.

Turnover in the latest period was £1.65m, against £790,000. Earnings per share worked through at 5.61p (£82.2p losses).

McKay Securities

McKay Securities, the property group, remained profitable in the half year ended September 30 1992, but is omitting the interim dividend in the light of discussions with its bankers.

Its unsecured banking agreements contain a standard covenant relating to the ratio between net asset value and

the level of secured borrowings, which has restricted the ability to draw down fully its committed secured facilities.

Discussions are going on to amend the covenant and to securing adequate medium-term funding. All banking facilities are expected to be put on a secured basis.

In the half year pre-tax profits fell from £2m to £877,000 after increased interest charges. No development outgoings or interest costs were capitalised, compared with £584,000. Earnings per share were 2.3p, against 0p on which an interim dividend of 3.2p was paid.

Gross rents came to £4.47m (£4.88m).

Brandon Hire

A reduction of £50,000 in the depreciation charge and of £20,000 for interest costs enabled Brandon Hire to almost treble its interim pre-tax profit.

Turnover of the group - which hires power and other tools, catering equipment and furniture - showed no improvement at £2.17m in the six months ended October 31 1992, against £2.19m, but profit rose from £23,000 to £61,000.

Earnings per share were 0.99p (0.29p) but no interim dividend is being paid. Previously it was 0.1p and represented the total for the year.

Raglan Property

Raglan Property Trust cut its pre-tax loss from £685,000 to £564,000 in the six months ended September 30 1992. Losses per share were clipped from 0.4p to 0.3p.

The company continued to unwind outstanding liabilities initiated in the late 1980s, and recently exchanged an agreement with Tesco whereby Raglan was released from its obligation to purchase properties for £4.6m in the centre of Cirencester.

Discussions with lending banks and Tameside continue. If successful, they will enable Raglan to achieve a capital restructuring.

Prior

Interest charges, costs relating to its head office move and compensation in respect of a former director, left Prior, the property and architectural ironmongery group, £497,000 in the red pre-tax in the half year to September 30. Losses last time were £411,000.

Mr James Prior, the chairman, said that virtually all of the turnover, of £598,000 (£4.03m), related to the non-property activity, JD Beardmore, which had traded above break-even for the first time in four years.

The group had been negotiating with its banks and third parties to restructure and release certain debt.

Losses per share amounted to 1.6p (1.4p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - paying dividend	Total for year	Total last year
Brandon Hire	nil	-	0.1	-	0.1
Debenhams Tawson	1.2	Feb 22	1	-	2.5
Greentree Int	4.25	Mar 25	4	6.35	6.1
Investors Cap	1.275p	Mar 9	1.275	-	5.1
Latham (James)	1.5	Feb 11	1.5	-	3.75
Markheath	nil	-	0.5	-	0.5
McKay Secs	nil	-	0.5	-	0.5
Palmerston	nil	-	0.5	-	0.5
Shearbank Prop	0.1	Apr 2	0.1	0.2*	0.2
Wholesale Fitts	3.23	Apr 8	3.23	-	11.7
Wintrust	3	Mar 31	3	-	9.3

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French Energy Inc.	67.49	1.00	68.49	1.00	69.49	1.00	70.49	1.00	71.49	1.00	72.49	1.00	73.49	1.00	74.49	1.00	75.49	1.00	76.49	1.00	77.49	1.00	78.49	1.00	79.49	1.00	80.49	1.00	81.49	1.00	82.49	1.00	83.49	1.00	84.49	1.00	85.49	1.00	86.49	1.00	87.49	1.00	88.49	1.00	89.49	1.00	90.49	1.00	91.49	1.00	92.49	1.00	93.49	1.00	94.49	1.00	95.49	1.00	96.49	1.00	97.49	1.00	98.49	1.00	99.49	1.00	100.49	1.00	101.49	1.00	102.49	1.00	103.49	1.00	104.49	1.00	105.49	1.00	106.49	1.00	107.49	1.00	108.49	1.00	109.49	1.00	110.49	1.00	111.49	1.00	112.49	1.00	113.49	1.00	114.49	1.00	115.49	1.00	116.49	1.00	117.49	1.00	118.49	1.00	119.49	1.00	120.49	1.00	121.49	1.00	122.49	1.00	123.49	1.00	124.49	1.00	125.49	1.00	126.49	1.00	127.49	1.00	128.49	1.00	129.49	1.00	130.49	1.00	131.49	1.00	132.49	1.00	133.49	1.00	134.49	1.00	135.49	1.00	136.49	1.00	137.49	1.00	138.49	1.00	139.49	1.00	140.49	1.00	141.49	1.00	142.49	1.00	143.49	1.00	144.49	1.00	145.49	1.00	146.49	1.00	147.49	1.00	148.49	1.00	149.49	1.00	150.49	1.00	151.49	1.00	152.49	1.00	153.49	1.00	154.49	1.00	155.49	1.00	156.49	1.00	157.49	1.00	158.49	1.00	159.49	1.00	160.49	1.00	161.49	1.00	162.49	1.00	163.49	1.00	164.49	1.00	165.49	1.00	166.49	1.00	167.49	1.00	168.49	1.00	169.49	1.00	170.49	1.00	171.49	1.00	172.49	1.00	173.49	1.00	174.49	1.00	175.49	1.00	176.49	1.00	177.49	1.00	178.49	1.00	179.49	1.00	180.49	1.00	181.49	1.00	182.49	1.00	183.49	1.00	184.49	1.00	185.49	1.00	186.49	1.00	187.49	1.00	188.49	1.00	189.49	1.00	190.49	1.00	191.49	1.00	192.49	1.00	193.49	1.00	194.49	1.00	195.49	1.00	196.49	1.00	197.49	1.00	198.49	1.00	199.49	1.00	200.49	1.00	201.49	1.00	202.49	1.00	203.49	1.00	204.49	1.00	205.49	1.00	206.49	1.00	207.49	1.00	208.49	1.00	209.49	1.00	210.49	1.00	211.49	1.00	212.49	1.00	213.49	1.00	214.49	1.00	215.49	1.00	216.49	1.00	217.49	1.00	218.49	1.00	219.49	1.00	220.49	1.00	221.49	1.00	222.49	1.00	223.49	1.00	224.49	1.00	225.49	1.00	226.49	1.00	227.49	1.00	228.49	1.00	229.49	1.00	230.49	1.00	231.49	1.00	232.49	1.00	233.49	1.00	234.49	1.00	235.49	1.00	236.49	1.00	237.49	1.00	238.49	1.00	239.49	1.00	240.49	1.00	241.49	1.00	242.49	1.00	243.49	1.00	244.49	1.00	245.49	1.00	246.49	1.00	247.49	1.00	248.49	1.00	249.49	1.00	250.49	1.00	251.49	1.00	252.49	1.00	253.49	1.00	254.49	1.00	255.49	1.00	256.49	1.00	257.49	1.00	258.49	1.00	259.49	1.00	260.49	1.00	261.49	1.00	262.49	1.00	263.49	1.00	264.49	1.00	265.49	1.00	266.49	1.00	267.49	1.00	268.49	1.00	269.49	1.00	270.49	1.00	271.49	1.00	272.49
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Unit Trust Name	Price	Change	Unit Trust Name	Price	Change	Unit Trust Name	Price	Change	Unit Trust Name	Price	Change
Sharp (Alliant) & Co (10000F)	100.00	0.00	Whitbread Unit Trust (10000F)	100.00	0.00	Whitbread Unit Trust (10000F)	100.00	0.00	Whitbread Unit Trust (10000F)	100.00	0.00
...
OTHER UK UNIT TRUSTS											
...
INSURANCES											
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General Insurance											
...
Life Insurance											
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Pension Funds											
...

Company Name	Asset	Price	Yield	Div	Yield	Div	Yield	Div	Yield
Bank of Bermuda Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Building Society Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Commercial Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Finance Co Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Insurance Co Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Life Assurance Co Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Mutual Assurance Co Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda National Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Overseas Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Savings Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Trust Co Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda United Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda Western Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda World Bank Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bermuda World Finance Co Ltd	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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Economic data fails to give spur to Dow

Wall Street

US SHARE prices moved in a narrow range yesterday as investors struggled to find interest in stocks in spite of some further good economic data, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 0.54 at 3,305.71. The more broadly based Standard & Poor's 500 was down 1.20 at 437.46, while the Amex composite was 0.38 lower at 410.41, and the Nasdaq composite up 0.10 at 694.77. Trading volume on the NYSE was 143m shares by 1 pm, and declines outnumbered rises by 874 to 817.

The morning's economic news should have been positive for the market. New factory orders for durable goods, a notoriously volatile and unreliable indicator, surged 9.1 per cent in December, the largest monthly gain in more than a year. Other data showed that personal income rose by 1.0 per cent and personal spending climbed 0.5 per cent last month, both solid increases.

Although the figures were all stronger than analysts had expected, they were not enough to encourage much buying of stocks. Investors, it seemed, had decided to take their cue from the bond market, which fell on the data, reversing its recent rally and pushing up interest rates.

Among individual stocks, Xerox climbed 1% to \$83 in spite of news of a \$736m net loss in the final quarter of last year, compared with a profit of \$91m a year earlier. The shares held up well because earnings were affected by special one-off charges, and because the company issued positive statements about the outlook for this year.

Pfizer fell 3% to \$65 1/2 in busy trading after breaking house PaineWebber downgraded its investment rating on the stock due to uncertainties surrounding a class-action lawsuit that might be filed against the company alleging that a unit of Pfizer manufactured defective artificial hips.

Airline stocks rebounded from news earlier in the week of bad fourth quarter earnings. Delta rose 3% to \$51, AMR, parent of American Airlines, put on 3% to \$82, and UAL climbed 1 1/2% to \$123 1/2.

Cellular telephone companies remained under heavy pressure over speculation that use of the telephones causes health problems. Motorola slumped 3% to \$50, and the Nasdaq market, McCaw Cellular dropped 3% to \$33 1/2 and LIN Broadcasting fell 3% to \$78 1/2.

Canada

TORONTO saw modest losses at midday as Northern Telecom, whose chairman announced his resignation on Thursday, lost 1% to C\$65 1/2. The TSE 300 index was 3.0 lower at 3,305.0 in volume of 17.8m shares valued at C\$158m. Advances led declines by 230 to 191 with 212 issues unchanged.

SOUTH AFRICA

GOLD shares continued to perform strongly with the index rising another 29 to 904 for a gain of 11.7 per cent on the week. Vaal Reefs added R7.50 to R162.50. Industrials put on 11 to 4,323 while the overall index rose 18 to 3,433.

Juniors outperform Canadian heavyweights

Bernard Simon assesses the growing popularity of second and third-tier stocks with Toronto investors

Investors searching for the real action in Canadian stock markets these days need to look beyond Toronto's benchmark TSE 300 index.

The index, which covers the 300 companies with the highest market capitalisations, bumped along in a narrow band between 3,400 and 3,600 for most of 1992, ended the year 6.5 per cent lower than it began; it has fallen further in 1993.

However, the TSE 300 is dominated by the few dozen heavyweights, banks, utilities and manufacturers. The top 50 companies make up 72 per cent of the index's weight, with the next 50 contributing another 13 per cent.

Mr Michael Shannon, an analyst at Burns Fry in Montreal, notes that "the bottom 50 companies, which have 1.1 per cent of the index, could go bankrupt, but so long as BCE (the telecommunications group) which has a 7.7 per cent weighting, is up 15 or 20 per cent, the TSE 300 would show no change".

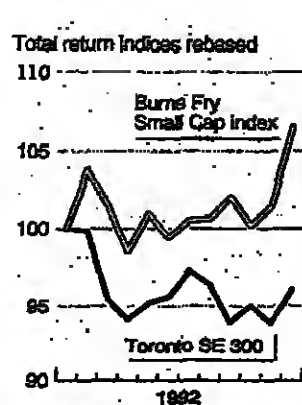
Most of the leading performers these days are among second and third-tier companies. An index compiled by Burns Fry, which tracks the share prices of companies in the bottom half of the TSE 300, together with about 200 others with a market value of more than C\$15m (\$11m), has performed more strongly than the TSE 300 for more than two years.

On a total return basis, including dividends, the Burns Fry index climbed 18 per cent in 1991 and another 13 per cent last year.

The growing popularity of investments in smaller companies is reflected in a proliferation of "special opportunities", "special growth" and "capital appreciation" mutual funds.

Many Canadian pension funds are for the first time setting aside some of their cash flows for small-capitalisation investments.

Mr Sebastian van Berkum, a Montreal institutional portfolio manager specialising in small-



Source: Burns Fry

cap stocks, predicts that they will outperform traditional mainline investments until at least the mid-1990s.

While hard to prove, smaller Canadian companies generally appear to have responded more energetically to opportunities created by the 1989 US-Canada free trade agreement.

Their managers are less preoccupied with cost-cutting and restructuring, and have been able to give more attention to

expansion and acquisitions.

Many are also in cyclical, export-oriented sectors, such as energy and forest products, which have benefited more than the big banks and utilities from a 13 per cent fall in the Canadian dollar over the past year.

Junior oil and gas producers and drillers have been especially popular among investors. They have lower overheads than the giants of the energy industry and have grown fast by picking up properties discarded by companies such as Imperial Oil and Petro-Canada.

Mr John Embury, who manages Royal Bank of Canada's recently-launched Canadian Growth Fund, says that "the problem with the big companies is that they're not even replacing their reserves. You're dependent on a higher oil price".

Specialised lumber producers have been another small-capitalisation favourite. While Canada's mainline forestry compa-

nies struggle to overcome sluggish pulp and newsprint markets, the niche players in the timber industry are making hay from the recent surge in North American lumber prices and the fall in the Canadian dollar.

Less than two months after going public at C\$7.88 a share, Riverside Forest Products of Vancouver is now trading at C\$14. Its glamour stems from the attractive price it paid for a lumber and plywood mill which it bought from Fletcher Challenge Canada just as timber prices were taking off last year.

Other popular lumber stocks include Slocan Forest Products, Green Forest Lumber and International Forest Products. While portfolio managers are confident that the cycle in small-cap stocks has at least a year or two to run, they warn against being caught up in the excitement.

"You've got to be very selective and have a disciplined approach," says Mr Allan

Jacobs, vice-president at Canada Life Investment Management in Toronto. Mr Embury at Royal Bank says he has already become uncomfortable with "the degree of speculation and the valuations" of many high-technology and biotechnology stocks.

As an example of a bubble waiting to burst, he cites Newbridge Networks, a fast-growing supplier of telecommunications networks, whose share price has rocketed in the past year from less than C\$10 to a peak earlier this month of C\$61.88. Newbridge has slipped back by almost C\$5 in the past week.

Mr Jacobs says that Canada Life's small-cap portfolio is limited to companies with healthy balance sheets, strong management and a track record of solid earnings.

Shares trading below book value would not be considered. "The key is to buy real companies," he asserts.

EUROPE

Paris loses ground after interest rate speculation

CORPORATE news dominated trading yesterday, while the stronger dollar also helped to lift a number of markets, writes Our Markets Staff.

PARIS, however, retreated after good morning gains on a rumour that base rates were to be raised. The banking sector fell. Paribas, which after the close reported provisional 1992 earnings below some analysts' expectations, lost FF10.60 at FF363.20; Societe Generale eased FF13 to FF255; and Suez slipped FF1.50 to FF255.

The CAC-40 index, which had seen a day's high of 1,801.26, fell steadily in the afternoon to close 8.43 lower at 1,772.21, down 2.6 per cent on the week. Options expiry boosted turnover to FF9.1bn.

Alcatel, accounting for 10 per cent of the day's volume, recovered some of Thursday's losses with a rise of FF10 to FF260, while Lafarge Coppée, whose US unit reported disappointing 1992 earnings, eased FF12 to FF307.

FRANKFURT saw some individual moves on company news as the DAX index closed 4.01 higher at 1,571.85, down 1 per cent on the week. Turnover stayed low at DM4.8bn, down from DM4.8bn on Thursday.

Volkswagen ended DM4.80 up at DM273.50 with a slight decline in trading over the week. The bank and Allianz, the insurer, rose DM0.8 to DM2.072 for a two-day gain of DM3.0 on further talk of derivatives market influence.

Metallgesellschaft fell DM10 to DM29, down DM22 on the week, on a sharp drop in profits and the confirmation of a dividend cut.

Among second liners, tough staff reductions at Angel-fischer, the ball bearings company, took the shares up DM3.50 to DM88.50; but PWA, the papermaker, fell DM6.50 marks to DM154 as it reported a collapse in 1992 profits.

FT-SE Actuaries Share Indices

January 29		THE EUROPEAN SERIES									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	FT-SE	Eurolist	FT-SE
FT-SE Eurolist 100	1078.05	1079.24	1079.03	1080.05	1081.50	1082.27	1080.29	1079.18	1079.18	1079.18	1079.18
FT-SE Eurolist 200	1149.35	1150.21	1150.28	1148.79	1148.26	1148.29	1150.11	1148.15	1148.15	1148.15	1148.15
Jan 28		Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22				
FT-SE Eurolist 100	1072.70	1072.28	1084.24	1077.68	1081.64	1081.64	1081.64	1072.70	1072.70	1072.70	1072.70
FT-SE Eurolist 200	1148.08	1147.45	1156.52	1146.87	1156.91	1156.91	1156.91	1148.08	1148.08	1148.08	1148.08

Share index 1000 (25/10/92) High/Low: 1001.65/1000.20 - 1152.39/1150.11 - 1077.23/1075.10 - 1144.23/1142.15

Dutch up FI 2.00 at FI 147.50 as the CBS Tendency index rose 0.4 to 97.5, down 1.2 per cent on the week.

Daf slipped FI 1.15 to FI 6.05 in spite of news that it had secured short-term financing; investors remained worried over long-term prospects.

ZURICH was supported by strong domestic demand in a moderately active session. The SMI index finished 8.8 higher at 2,091.1, a fall on the week of 0.5 per cent.

Roche certificates led industrials higher with a SFR60 rise

to SFR4.100 after falls earlier in the week, when investors were reported to be switching out of the stock. Sandoz certificates added SFR30 to SFR31.10.

Adia fell SFR11 to SFR157 after Thursday's SFR27 decline in further reaction to its worse than expected results.

SMH was in demand after favourable press comment on the prospects for its Swatchmobile plans. The registered shares rose SFR60 to SFR155.

MILAN saw renewed strength in Fiat and the Comit index rose 8.89 to 4,859.1, a rise

of 0.9 per cent on the week.

Fiat ordinary fixed L340 higher at L4.340 and firmed to L4.410 after hours in response to the better than expected results for 1992, announced after the close on Thursday.

The positive tone spilled over into other industrials but the market also derived some strength from good results from Banco Lariano. The shares, widely held domestically, rose L350 to L4.960.

Montedison, down almost 14 per cent since the beginning of the week, firmed L30 to L1.130, while its parent Ferruzzi rose L33 to L1.136.

The pick-up was attributed to the lack of any more of the bad news that had dogged the shares during the week and recurring speculation that Montedison might be planning a disposal.

BRUSSELS was lifted by a stronger steel sector. The Bel-20 index was 7.37 higher at 1,188.25, up 1.3 per cent on the week, in turnover of BFR1.3bn.

Cockerill added BFR6 to BFR100 while Clabecq put on BFR10 to BFR376.

STOCKHOLM recovered some of the ground lost during previous session with a rise in the Affarsvärden index of 15.9 to 896.0, down 1.3 per cent on the week. Electrolux, B gained SKr7 to SKr217 ahead of its 1992 results due next Thursday while Ericsson, the day's most active issue, saw its B shares improve SKr4 to SKr176.

DUBLIN returned to the attack again after Thursday's interlude, and continued speculation that the punt will be devalued saw the ISEQ overall index rise

Brokers said that the punt looked safe for the weekend but that senior blue chips including Bank of Ireland, up 2 1/2 at IL1.84, CR1, 6p better at IL2.13, and Smurfit, up 8p at IL2.56, were bought on the view that the government, sorely tested this week, will not be able to hold out much longer.

ASIA PACIFIC

Nikkei index eases after week of recovery

Tokyo

SHARE prices moved marginally lower on late afternoon profit-taking, but sentiment remained firm amid active trading throughout the day, writes Emiko Terazono in Tokyo.

The Nikkei average closed down 39.63 at 17,023.78, 4.2 per cent higher on the week, after a low of 16,950.44 and a high of 17,177.69. Active buying by financial institutions and public funds countered arbitrage selling and profit-taking, with share prices falling just before the close on large-lot selling by a foreign broker.

Volume totalled 330m shares against 326m. Gains outnumbered losses by 544 to 404 with 179 issues unchanged. The Topix index of all first section stocks gained 7.01 to 1,298.88 and in London the ISE/Nikkei 50 index rose 0.16 to 1,058.17.

Short sellers continued to cover positions, as speculation continued of an imminent discount rate cut. Comments during parliament by Mr Kiichi

Miyazawa, the prime minister, dismissing worries of large-lot selling by companies facing redemptions on equity linked bonds, eased fears over a weak stock market ahead of the March year end book closing.

Trading in Oji Paper and Kanazaki Paper was suspended in the afternoon session on reports of a merger. After the close the two companies announced that they would merge in October at the ratio of five Oji shares to six Kanazaki shares. Kanazaki rose Y11 to Y615 and Oji fell Y4 to Y871 before trading was halted.

Some shipbuilding stocks extended gains on a comment by Mr Miyazawa that the use of doubled hull tankers may become a strict requirement. Hitachi Zosen rose Y11 to Y367 but Mitsui Shipbuilding fell Y2 to Y381 on profit-taking.

Nippon Housing Loan rose Y3 to Y289 on reports of a restructuring plan, centring around rate cuts by its creditors. Isuzu Motors, was the volume leader for the third straight trading day, rising Y3 to Y367 on active buying by

dealers.

In Osaka, the OSE average closed up 133.09 at 18,423.45 in volume of 42.3m shares. Ono Pharmaceutical gained Y100 to Y3,570.

Roundup

Some bright spots emerged in Pacific Rim markets.

SINGAPORE overcame two days of resistance and the Straits Times Industrial index closed at an all-time high in volume which picked up to 95.52m shares from Thursday's 61.25m.

The index put on 21.93 to 1,620.16, or 1.7 per cent on the week. The previous record of 1,607.12 was set on March 27, 1990. Recently neglected shipyards were in demand.

HONG KONG more than halved sharp early losses as bargain hunters returned in the afternoon. The Hang Seng index ended 53.10 lower 5,743.65, down 2.9 per cent on the week. It had fallen 125 points in early trade before renewed Sino-British wrangling over Hong Kong's future.

Turnover stood at HK\$1.90bn. Leading stocks led the losers, with HSBC Holdings falling HK\$1 to HK\$60 after Thursday's HK\$1.50 decline.

BOMBAY continued to see speculative demand fuelled by expectations of an expansionary budget at the end of next month. The BSE index nudged through the 2,700 level briefly before closing at 2,690.79, up 35.43 on the day and 4 per cent on the week.

The recovery has taken place in spite of political uncertainty and the lingering impact of bloody riots in Bombay earlier this month.

SEOUL ended lower for the fourth consecutive day as investors displayed little interest in buying, brokers said.

The composite index closed 7.53 down at the month's low of 97.95, or 2.8 per cent lower on the week.

KUALA LUMPUR was led higher by Malaysian Banking which rose 60 cents to M\$3.60 after its 38 per cent rise in half-yearly net profits. The composite index rose 6.08 to 624.49, little changed on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JANUARY 28 1993										WEDNESDAY JANUARY 27 1993										DOLLAR INDEX		
	US Dollar Index	Day's Change %	Open Starting Index	Yes Index	OM Index	Local Currency Index	% chg on day	Gross Domestic Product	US Dollar Index	Open Starting Index	Yes Index	OM Index	Local Currency Index	1989/93 High	1989/93 Low	Year Ago (approx)							
Figures in parentheses show number of lines of stock																							
Australia (68)	121.34	+0.3	118.82	95.26	100.02	118.59	-0.5	4.10	121.01	118.46	94.89	99.83	119.24	158.68	108.18	143.78							
Austria (11)	140.83	+0.1	137.88	110.66	110.02	118.94	+0.2	1.99	140.65	137.08	110.12	113.79	115.80	180.70	131.16	172.19							
Belgium (42)	141.87	+0.1	138.70	111.37	108.95	114.23	+0.1	5.29	141.74	138.78	111.14	116.90	114.13	182.27	131.10	141.04							
Canada (13)	114.05	-0.4	111.50	89.54	84.91	104.98	-0.4	3.15	114.47	112.08	89.75	84.23	105.31	142.12	111.38	137.96							
Denmark (33)	209.95	-0.2	205.26	164.93	173.06	174.76	+0.0	1.56	210.28	205.85	164.89	173.11	174.74	273.94	181.70	184.70							
Finland (23)	147.23	-0.3	143.94	115.58	121.35	124.02	+0.0	1.79	143.98	141.50	115.17	121.55	124.03	188.75	136.39	148.47							
France (80)	231.25	+0.2	228.07	181.55	150.82	229.55	-0.1	3.62	230.43	231.45	183.39	194.86	234.68	282.28	173.98	189.47							
Germany (82)	59.09	-1.8	57.54	46.54	48.86	85.38	-0.3	3.18	59.54	58.28	46.58	48.01	85.59	80.88	47.47	78.21							
Hong Kong (55)	231.25	+0.2	228.07	181.55	150.82	229.55	-0.1	4.37	230.43	231.45	183.39	194.86	234.68	282.28	173.98	189.47							
Ireland (16)	142.87	-0.1	139.48	112.01	117.00	121.39	-0.1	1.01	140.88	138.78	111.14	116.90	114.13	182.27	131.10	141.04							
Italy (78)	59.09	-1.8	57.54	46.54	48.86	85.38	-0.3	3.18	59.54	58.28	46.58	48.01	85.59	80.88	47.47	78.21							
Japan (478)	258.20	+0.7	252.43	202.70	212.63	250.78	-0.2	1.08	257.99	254.55	203.88	214.08	257.73	282.42	172.49	225.82							
Malaysia (38)	160.34	-2.2	150.88	128.81	132.13	155.07	-0.2	4.48	156.03	152.75	122.35	126.46	156.70	147.88	150.50								
Mexico (18)	156.12	+0.1	152.53	122.57	126.69	127.06	-0.3	5.10	154.77	151.49	122.78	126.46	156.70	147.88	150.50								
Netherlands (25)	41.84	+0.0	40.90	32.85	34.49	42.86	+0.4	1.87	41.77	40.89	32.78	34.39	42.86	45.52	37.39	45.10							
New Zealand (13)	140.39	+0.2	137.41	110.35	115.88	128.92	+0.4	1.60	140.56	137.60	110.22	115.72	126.35	182.25	126.05	180.80							
Norway (22)	215.57	+0.6	210.75	189.25	177.70	182.87	+0.3	3.09	215.80	214.87	182.05	183.24	214.07	283.60	154.21	245.82							
Singapore (38)	181.58	+2.1	177.98	128.85	135.18	145.28	-1.0	5.53	182.98	177.22	131.91	136.59	181.72	181.72	104.10	154.19							
South Africa (60)	127.71	-1.7	124.85	119.69	125.67	124.44	-1.4	2.64	125.83	124.74	124.74	124.74	124.74	124.74	124.74	124.74							
Spain (47)	127.71	-1.7	124.85	119.69	125.67	124.44	-1.4	2.64	125.83	124.74	124.74	124.74	124.74	124.74	124.74	124.74							
Sweden (35)	127.45	-2.8	124.85	119.69	125.67	124.44	-0.2	2.09	127.45	124.74	124.74	124.74	124.74	124.74	124.74	124.74							
Switzerland (56)	112.90	+0.1	112.90	85.70	90.14	102.33	+0.5	2.82	112.90	112.90	85.70	90.14	102.33	112.90	85.70	90.14							
United Kingdom (226)	172.25	+0.4	168.23	136.09	141.83	158.23	-0.5	2.81	172.25	168.23	136.09	141.83	158.23	172.25	136.09	141.83							
USA (522)	77.25	+0.1	75.25	140.74	147.77	175.25	+0.1	2.81	77.25	140.74	147.77	175.25	140.74	147.77	175.25	140.74							
Australia (780)	137.97	-0.3	134.88	108.32	113.73	126.40	-0.2	3.78	138.41	135.49	108.53	113.85	126.38	166.88	131.41	145.41							
Canada (141)	145.29	+0.1	142.28	114.22	119.92	137.10	-0.2	2.47	145.29	142.28	114.22	119.92	137.10	145.29	114.22	119.92							
Denmark (11)	109.32	+2.1	106.67	85.83	90.11	87.70	+0.2	1.37	107.05	104.79	83.94	88.13	85.82	147.91	93.70								
France (54)	120.91	+0.1	118.21	94.92	99.98	114.22	+1.1	2.85	119.75	117.22	93.88	96.58	101.68	148.21	113.90	135.19							
Germany (63)	175.22	+0.1	171.30	137.35	142.81	158.23	+1.0	3.29	171.71	168.32	138.22	145.28	166.88	174.04	138.22	145.28							
Hong Kong (55)	171.39	-0.3	167.47	137.35	142.81	158.23	-0.1	3.86	171.71	168.32	138.22	145.28	166.88	174.04	138.22	145.28							
Japan (478)	231.25	+0.2	228.07	181.55	150.82	229.55	-0.1	4.37	230.43	231.45	183.39	194.86	234.68	282.28	173.98	189.47							
Malaysia (38)	156.87	+0.9	154.36	95.85	100.04	104.81	+0.7	2.42	156.87	154.36	95.85	100.04	104.81	156.87	95.85	100.04							
Netherlands (25)	157.40	+0.9	154.36	95.85	100.04	104.81	+0.7	2.42	156.87	154.36	95.85	100.04	104.81	156.87	95.85	100.04							
Norway (22)	157.40	+0.9	154.36	95.85	100.04	104.81	+0.7	2.42	156.87	154.36	95.85	100.04	104.81	156.87	95.85	100.04							
South Africa (60)	140.37	+0.8	137.23	110.21	115.23	127.25	+0.6	2.83	139.59	136.85	106.07	114.93	126.52	153.05	120.04	145.05							
Sweden (35)	140.37	+0.8	137.23	110.21	115.23	127.25	+0.6	2.83	139.59	136.85	106.07	114.93	126.52	153.05	120.04	145.05							
Switzerland (56)	180.65	+0.1	177.06	126.14	132.45	154.24	-0.1	3.17	180.65	177.06	126.14	132.45	154.24	180.65	126.14	132.45							
United Kingdom (226)	180.65	+0.1	177.06	126.14	132.45	154.24	-0.1	2.63	180.65	177.06	126.14	132.45	154.24	180.65	126.14	132.45							

INVESTMENT TRUSTS - Cont.

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MIBES - Cont.						1982/83	
Yr	Md	Pct	Notes	Price	+ or -	Nov	Dec
80	20	4.7	142			7,000	7,000
81	168	4.7	142			7,000	7,000
82	168	4.7	142			7,000	7,000
83	168	4.7	142			7,000	7,000
84	168	4.7	142			7,000	7,000
85	168	4.7	142			7,000	7,000
86	168	4.7	142			7,000	7,000
87	168	4.7	142			7,000	7,000
88	168	4.7	142			7,000	7,000
89	168	4.7	142			7,000	7,000
90	168	4.7	142			7,000	7,000
91	168	4.7	142			7,000	7,000
92	168	4.7	142			7,000	7,000
93	168	4.7	142			7,000	7,000
94	168	4.7	142			7,000	7,000
95	168	4.7	142			7,000	7,000
96	168	4.7	142			7,000	7,000
97	168	4.7	142			7,000	7,000
98	168	4.7	142			7,000	7,000
99	168	4.7	142			7,000	7,000
00	168	4.7	142			7,000	7,000
01	168	4.7	142			7,000	7,000
02	168	4.7	142			7,000	7,000
03	168	4.7	142			7,000	7,000
04	168	4.7	142			7,000	7,000
05	168	4.7	142			7,000	7,000
06	168	4.7	142			7,000	7,000
07	168	4.7	142			7,000	7,000
08	168	4.7	142			7,000	7,000
09	168	4.7	142			7,000	7,000
10	168	4.7	142			7,000	7,000
11	168	4.7	142			7,000	7,000
12	168	4.7	142			7,000	7,000
13	168	4.7	142			7,000	7,000
14	168	4.7	142			7,000	7,000
15	168	4.7	142			7,000	7,000
16	168	4.7	142			7,000	7,000
17	168	4.7	142			7,000	7,000
18	168	4.7	142			7,000	7,000
19	168	4.7	142			7,000	7,000
20	168	4.7	142			7,000	7,000
21	168	4.7	142			7,000	7,000
22	168	4.7	142			7,000	7,000
23	168	4.7	142			7,000	7,000
24	168	4.7	142			7,000	7,000
25	168	4.7	142			7,000	7,000
26	168	4.7	142			7,000	7,000
27	168	4.7	142			7,000	7,000
28	168	4.7	142			7,000	7,000
29	168	4.7	142			7,000	7,000
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39	168	4.7	142			7,000	7,000
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41	168	4.7	142			7,000	7,000
42	168	4.7	142			7,000	7,000
43	168	4.7	142			7,000	7,000
44	168	4.7	142			7,000	7,000
45	168	4.7	142			7,000	7,000
46	168	4.7	142			7,000	7,000
47	168	4.7	142			7,000	7,000
48	168	4.7	142			7,000	7,000
49	168	4.7	142			7,000	7,000
50	168	4.7	142			7,000	7,000
51	168	4.7	142			7,000	7,000
52	168	4.7	142			7,000	7,000
53	168	4.7	142			7,000	7,000
54	168	4.7	142			7,000	7,000
55	168	4.7	142			7,000	7,000
56	168	4.7	142			7,000	7,000
57	168	4.7	142			7,000	7,000
58	168	4.7	142			7,000	7,000
59	168	4.7	142			7,000	7,000
60	168	4.7	142			7,000	7,000
61	168	4.7	142			7,000	7,000
62	168	4.7	142			7,000	7,000
63	168	4.7	142			7,000	7,000
64	168	4.7	142			7,000	7,000
65	168	4.7	142			7,000	7,000
66	168	4.7	142			7,000	7,000
67	168	4.7	142			7,000	7,000
68	168	4.7	142			7,000	7,000
69	168	4.7	142			7,000	7,000
70	168	4.7	142			7,000	7,000
71	168	4.7	142			7,000	7,000
72	168	4.7	142			7,000	7,000
73	168	4.7	142			7,000	7,000
74	168	4.7	142			7,000	7,000
75	168	4.7	142			7,000	7,000
76	168	4.7	142			7,000	7,000
77	168	4.7	142			7,000	7,000
78	168	4.7	142			7,000	7,000
79	168	4.7	142			7,000	7,000
80	168	4.7	142			7,000	7,000
81	168	4.7	142			7,000	7,000
82	168	4.7	142			7,000	7,000
83	168	4.7	142			7,000	7,000
84	168	4.7	142			7,000	7,000
85	168	4.7	142			7,000	7,000
86	168	4.7	142			7,000	7,000
87	168	4.7	142			7,000	7,000
88	168	4.7	142			7,000	7,000
89	168	4.7	142			7,000	7,000
90	168	4.7	142			7,000	7,000
91	168	4.7	142			7,000	7,000
92	168	4.7	142			7,000	7,000
93	168	4.7	142			7,000	7,000
94	168	4.7	142			7,000	7,000
95	168	4.7	142			7,000	7,000
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97	168	4.7	142			7,000	7,000
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99	168	4.7	142			7,000	7,000
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02	168	4.7	142			7,000	7,000
03	168	4.7	142			7,000	7,000
04	168	4.7	142			7,000	7,000
05	168	4.7	142			7,000	7,000
06	168	4.7	142			7,000	7,000
07	168	4.7	142			7,000	7,000
08	168	4.7	142			7,000	7,000
09	168	4.7	142			7,000	7,000
10	168	4.7	142			7,000	7,000
11	168	4.7	142			7,000	7,000
12	168	4.7	142			7,000	7,000
13	168	4.7	142			7,000	7,000
14	168	4.7	142			7,000	7,000
15	168	4.7	142			7,000	7,000
16	168	4.7	142			7,000	7,000
17	168	4.7	142			7,000	7,000
18	168	4.7	142			7,000	7,000
19	168	4.7	142			7,000	7,000
20	168	4.7	142			7,000	7,000
21	168	4.7	142			7,000	7,000
22	168	4.7	142			7,000	7,000
23	168	4.7	142			7,000	7,000
24	168	4.7	142			7,000	7,000
25	168	4.7	142			7,000	7,000
26	168	4.7	142			7,000	7,000
27	168	4.7	142			7,000	7,000
28	168	4.7	142			7,000	7,000
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Tokyo turns aggressor in anti-dump action against 100 companies

Japan penalises China exports

By Robert Thomson in Tokyo

JAPAN, often the victim of anti-dumping actions, has become the aggressor for the first time. It imposed penalties yesterday on more than 100 Chinese companies for alleged predatory pricing of their exports.

Tokyo has been targeted so often in anti-dumping cases that it has led a campaign to review the regulations. As a result, it was a touch defensive yesterday in explaining the decision to impose duties, ranging from 4.5 to 27.2 per cent, on Chinese exports of ferroalloy manganese, used in steel production.

The sense of unease was heightened by Japan's own action this week at being on Washington's hit-list of countries whose steel producers are allegedly

dumping in the US. Government officials have variously described the US decision as "unfair" and "outrageous".

Last night it was China's turn to complain. A trade ministry official in Beijing regretted the Japanese decision: "Since the Japanese government did not take into account factual materials, the relevant companies feel wronged."

The finding partly reflects changes in trading patterns. Japanese industries are now pressed by lower-cost Asian producers. A decade ago, the US and Europe were under similar pressure from Japan and resorted to anti-dumping regulations.

China's government was conducted honourably. The government concluded that unfair pricing led to a leap in China's share of the Japanese market from 17 per cent in 1988 to 39 per cent last year.

Mr Yoshiro Mori, minister for international trade and industry, said the decision was "fair and transparent". The government would "remain careful about abusing anti-dumping measures when pressed by protectionist industry forces".

The trade and finance ministries also investigated producers from South Africa and Norway but concluded they had not injured the Japanese industry.

About 100 Chinese companies, most of them state-owned, will be subject to the duties from next Wednesday. Two others were given a reprieve after promising

to lift export prices. Japanese investigators had difficulty in determining whether the companies independently set prices, as Beijing claimed, or whether the 25 per cent fall in the Chinese price since 1989 had received central approval.

The Japanese government had previously threatened to impose dumping duties on South Korean knitwear exporters, but these companies reluctantly agreed to "voluntary restraints" on their exports before the duties were formally imposed.

Last year, Japanese cotton spinners warned they would launch a dumping action against Pakistani and Indonesian exporters. An executive at one Japanese textile company said the industry was in "a similar situation to US car makers".

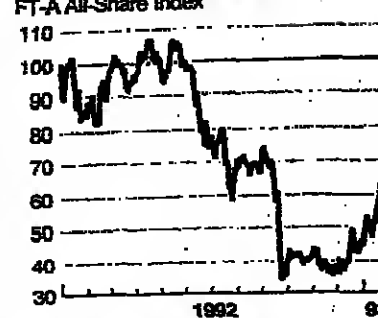
THE LEX COLUMN

Inflated expectations

FT-SE Index: 2807.2 (-9.7)

British Aerospace

Share price relative to the FT-SE All-Share Index



Source: FT Graphs

What a pity the government handled Tuesday's rate cut so badly. Lower interest rates and a cheaper currency are probably both necessary if growth is to be restored while the balance of payments remains in such large deficit. It looks increasingly as though a steeper yield curve and a lower pound are also needed to fund next year's PSBR. Only if the pound is seen to have room to appreciate will foreigners be inclined to buy gilts in any size. By springing the cut as a surprise in the middle of a gilt auction, though, the government seemed to have taken flight over the short-term course of the economy rather than to be implementing a carefully-planned strategy.

This only adds to the sense that the end result will be inflation. Indeed, the prospect of lower rates and currency depreciation have left institutional investors feeling remarkably comfortable with equities. They see little incentive to switch to gilts. No wonder a rush of rights issues emerged this week. Presumably there are more to come. That may put a brake on further equity market advance, but the government appears as stuck with its funding dilemma as ever.

Whichever way one cuts the figures, there seems no way the 1993-94 PSBR can be funded without a substantial inflow of foreign money and a much larger shift into gilts than domestic investors have hitherto been prepared to contemplate. A significantly weaker pound may be needed to produce the former. Given the perceived inflationary implications, sharply lower gilt prices may be needed to stimulate the latter. That could mean long yields closer to 10 per cent than 9.

Shareholders who stumped up 30p a share to rescue Burton in the 1991 rights issue have done pretty nicely. Those who choose to take up their rights this time will find it harder to double their money. From the company's point of view the issue is clearly sensible: gearing at the year-end will be almost halved to an acceptable 27 per cent. The management gains the flexibility it badly needs to rejuvenate its store chains - some of which have not been refurbished for 10 years. The recovery story, which the City badly wants to believe, has been put on a sounder financial footing.

Yet high commercial risks remain. There is no guarantee that the money will be spent effectively. Some chains, like Evans, are starting to test new

store formats, but the results are not yet quantifiable. Others, like Burton menswear, require a total rethink. After the experience of the 1980s, it may be an advantage that the company is not dominated by a single retailing visionary, but that it will be needed to capture the fickle fashion market. It is not yet clear that Burton has the spark.

Then there is the question of all those different chains. An internal study has concluded that the company does not have too much space. But the chains need to be rationalised and the culture changed. Perhaps the difficulty in placing shop leases is a deterrent to slimming down the group. Investors will need strong nerves. It would strengthen resolve if the management were seen to be hacking through the thicket of shops.

British Aerospace

Given near-universal scepticism, Mr Dick Evans, BAe's chief executive, deserves some credit for sticking to his prediction that the company would land an order for Tornado fighters from Saudi Arabia. Following the resuscitation of the European Fighter Aircraft project, the Saudi deal goes a long way to securing BAe's revenue line. And the joint venture in regional jets with Taiwan has plugged the main hole leaking cash. After the shock of last September's interim figures and the £1bn-worth of provisions, the company has regained an even keel.

The market has responded to the new management's sense of purpose and an increasing belief in the company's recovery. Enthusiasm may well pull the shares higher still. Yet while

some big issues have been settled, improvements in profitability from now on will be steady rather than spectacular. Costs will come out of the business, but margins on the £10m turnover will remain thin for some years.

The share rating, while not expensive, reflects the recent good news. There is also a lingering cloud over Airbus. With the market weak, more orders may be cancelled. The consortium's progress to positive cash flow has been slowed once more.

The board has delivered on its promises. While it would not do to be churlish, that success must not distract the directors from tackling the endemic inefficiencies which have dogged the company for years.

US economy

It is hard to escape the conclusion that the US economy is on the mend. Even allowing that durable goods orders are among the most volatile economic indicators, yesterday's unusually strong data looks like the genuine article. The recovery in orders was well spread throughout the economy. That was enough to propel the dollar higher. The worry is that recent labour market indicators have been ominously weak.

If the behaviour of money-market interest rates is anything to go by, the market no longer seriously believes the Federal Reserve will raise interest rates. Mr Alan Greenspan's testimony to Congress this week contained clear overtures to the Clinton administration. Higher interest rates would put that budding relationship at risk. Equally, the recent spate of strong economic figures makes another cut less likely to the markets. Such a move would, incidentally, undermine the main argument for buying the dollar: that the interest rate differential between the US and Germany is set to narrow. Yesterday's dollar rally owed much to relief that the bull case remains dominant.

An economic recovery without higher employment, though, would be a pyrrhic victory for President Clinton. A weak labour market might undermine the improvement in consumer confidence required to sustain recovery. The market may be getting ahead of itself in ruling out another cut in US rates. The Fed could still make such a gesture in return for a deal on the budget deficit and next week's employment figures could weigh heavily on the dollar.

Banks cut rates on savings more than mortgages

By Scheherazade Daneshkhu

MIDLAND Bank and Firstdirect, its telephone banking arm, have cut their savings rates by more than 100 basis points following this week's 1-point base rate cut. Along with Lloyds Bank, both have also not passed on the full base-rate reduction to mortgage holders.

The savings rate cuts are the first to be announced by leading financial institutions since Tuesday's base rate change. Building societies have not yet announced new savings rates but have said they did not pass on the full 1-point cut to mortgage holders in order to protect savers.

The new base rate is 6 per cent. Midland and Lloyds have set a mortgage rate of 7.99 per cent. This represents a drop of 0.56 of a point for Midland and of 0.61 of a point for Lloyds. Firstdirect has cut its rate by 0.54 of a point to 7.95 per cent.

"Our mortgage book was running at a loss when base rates were 15 per cent," said Mr Brendan Le Morvan of Midland. "Since then we have tried to restore the margins." Its mortgage margin has widened from 0.4 point to 1.99 points.

Midland is reducing almost all gross savings rates by 1 point, with a handful going down by 0.75 of a point and one by 1.25 points. At Lloyds, savings rates are being cut between 0.5 of a point and 1 point.

Midland and Lloyds also announced a reduction in credit card and overdraft rates. The annual percentage rate on Midland's credit cards will drop to 23.1 per cent from 25.3 per cent from March 2. From Monday, rates will fall by 1.5 to 1.4 points for overdrafts.

Editorial Comment, Page 6
Messy compromise, Weekend II

Major calls for business to seize export opportunities

By Alison Smith

MR JOHN MAJOR renewed his appeal to British business last night to seize the chance presented by the low levels of UK interest rates and inflation and make the most of export opportunities.

The 1990s would be the most competitive decade business had ever seen, the prime minister said, and industry would need to invest in technology and training to succeed.

After a week in which his success in contributing to export orders for British business in India and the Gulf had been hailed by industry, Mr Major underlined the importance of a range of export markets and the opportunities offered in the European single market.

"We need merchant venturers, not merchants of gloom," he told a Tory fund-raising dinner in Glasgow. "It is time to start selling Britain abroad, and stop selling

John Major's announcement on Thursday of the £4bn-£5bn Saudi defence deal, including 48 Tornados, was greeted by Westland as "very good news". British officials are optimistic that other orders will now follow. But apart from Saudi Arabia, the Tornado has found no clients outside the three manufacturing countries.

Jordan, Oman and Malaysia all backed out of planned Tornado purchases.

Arms sales emerge from desert mirage, Page 9
Hat trick for BAe, Page 7

ing Britain short," he said.

The UK's attractions to foreign investors were manifest, Mr Major said, citing the recent decision by Hoover to relocate from Dijon in France to Cambuslang in Scotland, creating 450 jobs.

Mr Major's remarks came

against a background chorus of ministerial speeches seeking to reap the benefit of his trade mission, which was slightly overshadowed by his decision to take legal action for libel against two magazines.

He promised that government would continue to listen to industry's requests. His speech will have reinforced business hopes that the Budget will contain measures to promote investment and help exporters.

In advance of the government's forthcoming policy paper on the relationship of Scotland within the UK, Mr Major admitted that there was a widespread feeling that government was too remote and did not properly recognise Scotland's status.

While making it clear that the Union was "non-negotiable", he emphasised the scope for building on Scotland's existing political institutions.

Major's week, Page 4

Burton £163m cash call for face-lift

Continued from Page 1

acutely," Burton's shares, which have risen from 30½p since September, yesterday slipped 2½p to close at 72½p.

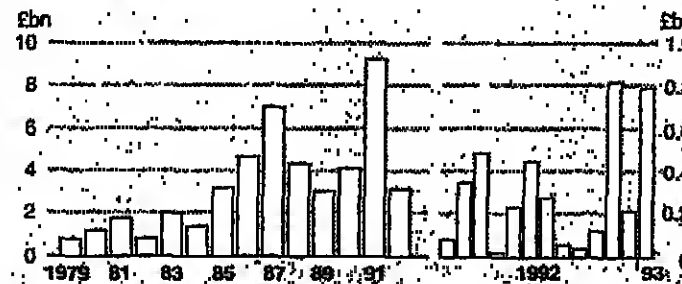
The proceeds are expected to enable Burton to finance a three-year refurbishment programme for its shops - including Top Shop, Dorothy Perkins and Principles.

Mr Hoerner said about two-thirds of the group's space was in need of a face-lift. More than half of the stores had not been refurbished in at least six years, he said.

The cost of the programme would be about £130m at today's prices. Mr Richard North, finance director, said the rights issue would leave the company with a controllable debt, even after capital expenditure plans.

Analysts are forecasting that Burton will achieve about £30m

Rights issues



Source: FT, Investors' Chronicle, Daily Mirror

pre-tax profits for the year to August 29. Debt is estimated to be £240m by the year-end.

About £150m would relate to the group's property portfolio. On those forecasts, operating cash flow is expected to be roughly neutral. Burton forecast an unchanged interim dividend of 1p.

Members of Usdaw, the shop-

workers' union, have called off a strike planned for today at branches of Burton Menswear and Top Man shops. An agreement was reached between management and the union at the High Court yesterday to hold talks next week at Acaas, the arbitration service. The dispute is over job losses and bargaining rights.

MPs seek boost in market to save mines at risk

Continued from Page 1

The precariousness of the government's position was underlined last night when Mr Winston Churchill, Conservative MP for Devon, indicated that he and his 30 colleagues on the recently-formed coal group of Tory backbenchers were looking for "a clear majority" of the threatened pits to be saved.

Mr Michael Heseltine, trade and industry secretary, would be taking "a serious personal risk" if he pitched the government's

"bid" significantly lower than the committee's recommendations, Mr Churchill said.

As Labour celebrated what it described as its "humiliation", Mr Heseltine prepared the way for a climbdown by arguing the government would have been "culpable" if it had not reviewed its original decision in the light of the outcry it generated.

The government retained "an open mind", he said, describing yesterday's report as "very long, very complicated and very interesting".

A first indication of how the government might respond came in a speech from Lord Wakeham, who chairs the cabinet committee on coal. "If productivity improvement can be implemented and cost reductions achieved, there is scope for many pits to improve their performance costs significantly within three to five years," he said.

He emphasised that electricity privatisation had been planned on the basis of an eight-year transition to full competition, designed with the interest of

the coal industry in mind.

Mr Robin Cook, shadow trade and industry secretary, called for his opposite number's resignation, saying: "Nobody in business would keep their job after such a monumental mistake and neither should Michael Heseltine."

Mr Neil Clarke, British Coal chairman, said the report supported the company's view that only "a radical transformation of the market would change the prospect of many of our collieries".

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				Tokyo (Yen)			
Riese	465	+ 15		Asahi Air	945	+ 95	
Porsche	269	+ 14		Daiichi Housing	245	+ 45	
Rheinmetall	283	+ 15.5					
Pfaff	785	- 17					
Aachen Mch	357	- 13					
GEIE	780	- 20					
Goldschmidt							
New York (\$)				London (Pence)			
Riese	91½	+ ½		Riese	200	+ 20	
Datsun	83½	+ ½		Shimizu	217	+ 50	
Pfaff				TRF	279	+ 27	
LN Broadcast	75½	- 3½		Pfaff	390	- 29	
McGraw Hill	33½	- 2½		Kanab			

World Weather

UK Today: Cloudy

over much of England and Wales with some

patchy drizzle in places, although the

south-east and the Midlands should be

brighter. A bright start over most of Scotland

and N Ireland followed by rain later.

Temperatures at midday yesterday: 1 Noon GMT temperatures C: Cloudy Dr: Drizzle F: Fair Fog H: Heat R: Rain S: Stormy Sh: Show T: Thunder

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Weekend FT

SECTION II

Weekend January 30/January 31 1993

What a laugh! Now anarchy is respectable

Comedy has replaced pop music as the stairway to the stars for the young and talented. Antony Thorncroft reports on radical changes in a cut-throat world

IT WAS a rough Friday night. Up the Creek and the comedians were taking casualties. One young man, covering his whimsy inadequately with a guitar, first reduced the audience to silence; then set it talking among itself; and, finally, brought out the hecklers. Realising his cause was hopeless, he quit the stage suddenly.

"Where's he gone?" said Malcolm Hardee, the bemused compère and owner of the comedy club in Greenwich, south-east London. "He was crap, wasn't he?" A few minutes later in the pub next door, Hardee, a veteran of the comedy circuit, was hugging the young man a drink, building him up and sketching out his career.

In the cut-throat world of "alternative" comedy, there is no room for faint hearts, sensitive nerves or delusions of grandeur. But there are plenty of opportunities for making a great deal of money, very quickly. Comedy has replaced pop music as the stairway to the stars for the young and the talented.

It is very different comedy from the quick-fire gags of the old music hall comedians, or northern comics. It is even further removed from the satire of the first wave of graduate comedians. The performers rely more on charm than vicious wit. In some clubs, you can pass a whole evening without hearing one joke.

Instead, the comedians talk about the most intimate aspects of their lives, expiring to strike chords with their audience. It is the humour of group therapy, of shared embarrassment. A male comedian can build an entire act around the ritual of undressing in front of a new girl friend; a female comedian on how chocolate provides real joy while sex is just a wet patch in the bed.

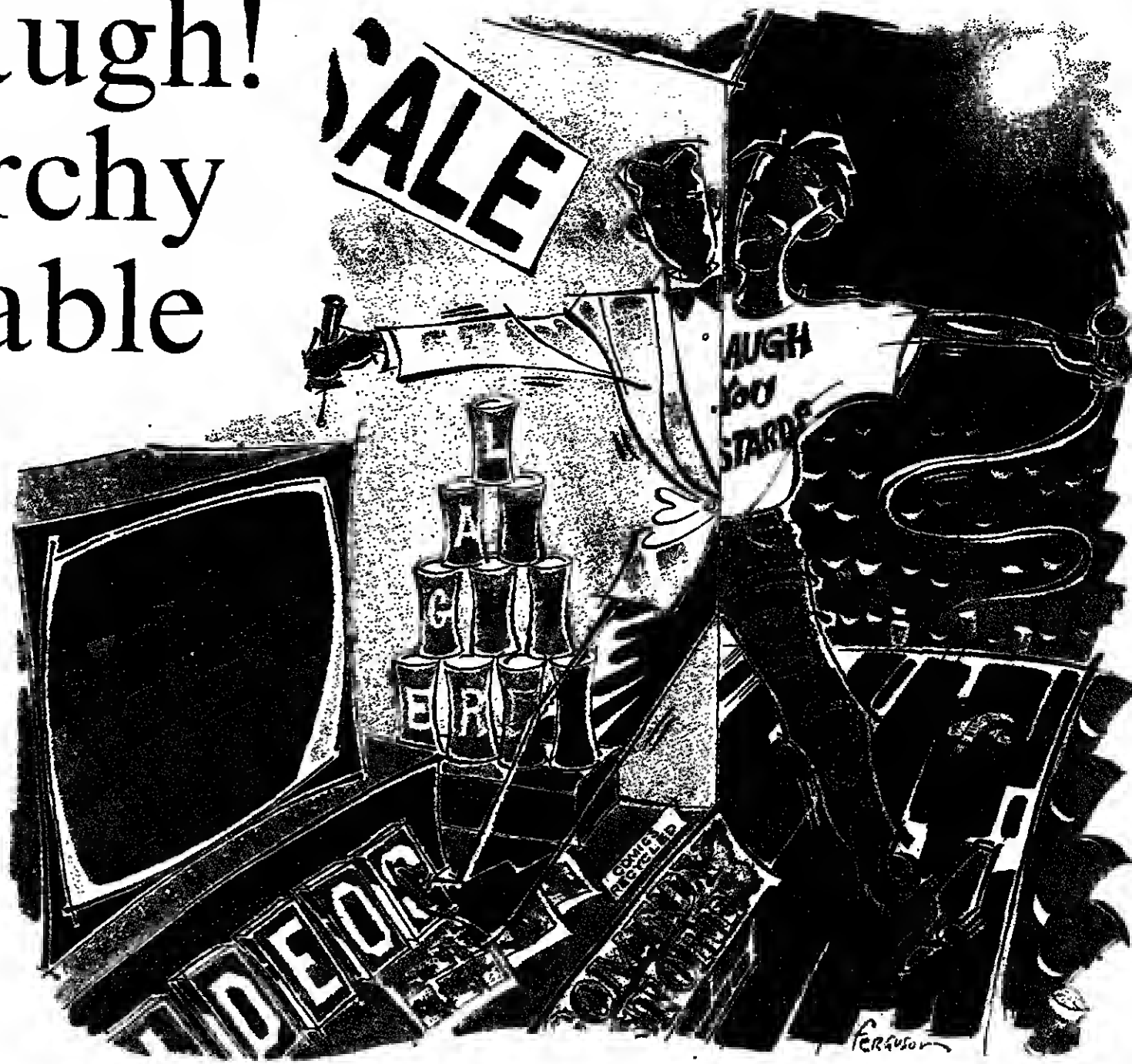
Take Harry Hill, who is halfway up the ladder. Hill trained as a doctor and remains one when times get desperate. But, as a medical student, he found that appearing in the

end-of-year show was the best part of the course. So, after qualifying, he mixed working in a hospital with working the clubs. "It was easy: you could just turn up at an open spot and perform." Most comedy clubs have open spots on certain nights where you get five minutes to do your stuff. If you are any good, you are spotted by the club manager or other comedians. Invited back - and paid.

Hill covered the country gaining experience, receiving the typical fee of £30 for a 20-minute spot. Often, the deal would be a percentage of the box office take (which, invariably, was nothing) or a free meal, often, he was booed off. His mixture of mild jokes ("I was walking home last night and a man said 'Give me your wallet.' I blame all these self-assertiveness classes") and surreal word play delivered in a bemused, confiding style, rather like the late Harry Worth, makes the audience work.

Hill was doing all the right things, though. He was writing lots of new material; he was earning an extra £100 a week by sending jokes to the Radio 4 programme *Week Ending*; and he was preparing his act for the Edinburgh festival fringe, the annual showcase for new comedy where TV and radio producers who cannot bother to trawl the London clubs look for talent. Hill lost £1,000 appearing at the 1991 fringe but he was voted the most promising newcomer last August by the Perrier pick-of-the-fringe judges.

Suddenly, his career moved up two notches. Now, club bookers ring him. He can make a £100 or more for an appearance, and, if he had the energy, like the music hall stars of old, he could dash around London doing three gigs a night. Hill has appeared on television and this month he is recording a pilot for Radio 4. He reckons he is earning as much as when he was a full-time doctor. He also has Avalon, the leading management company riding the comedy boom, to



plot the development of his career.

In the three years that Hill has been in the business, it has changed out of all recognition. Take the experience of Jack Dee. He is a contemporary of Hill who worked in a restaurant by day and the clubs at night. In 1991, he caught the eye of the Perrier judges, and the television producers, with his cool, staccato delivery and made the break quickly from the club circuit to the national stage. He has his own TV show and, by touring the land, can earn more than £5,000 a night filling 2,000-seat theatres. There is the Jack Dee video, the Jack Dee spots on North American television, the Jack Dee beer commercials. All that remains is the Jack Dee movie.

What has transformed the comedy world has been the voracious appetite of radio and television, stimulated in the past year by the new commercial television contrac-

tors. There had always been a tradition of bright young graduates becoming comedy stars - a tradition linking the *Beyond the Fringe* quartet with the Monty Python team, with Rowan Atkinson and *Not the Nine O'Clock News*. Then came Dawn French and Jennifer Saunders, Ben Elton, and Rik Mayall, who got their start in the comedy clubs which first appeared in the UK around 1980. But this graduate flow was always the anarchic alternative to mainstream comedy: now, it is mainstream comedy.

The heads of light entertainment at the BBC and the commercial television stations woke up suddenly to the fact that the day of the traditional comic - who tended to be northerners such as Ken Dodd, Russ Abbot and Cannon and Ball - was over. For

decades, the prime-time weekend TV spots were hogged by variety shows and old-style funnymen. Overnight, the audience was no longer laughing, leaving the way open to the "alternatives." The turnaround is remarkable. Switch on Radio 4 early evening and late at night and you are likely to hear one of the new breed, Nick Revell perhaps or Richard Herring. Radio 5 commissions comedy. Even Radio 1 has a comedy spot, with club stand-ups Mark Thomas and Kevin Day.

It was Radio 1 which first transmitted *The Mary Whitehouse Experience*, the work of four young writer-performers, Baddiel and Newman and Punt and Dennis, who previously had contributed jokes to *Week Ending*. The show moved to television and became a youth cult. Now, the two duos tour the country like old-fashioned rock acts, playing student unions and filling the 3,600-

seat Hammersmith Apollo in London for four nights - at a fee of around £10,000 a night. And, unlike the rock acts with their expensive "roadies" and lighting crews, the comedians travel light and are more reliable. Richard Alan Turner of Avalon, who manages Baddiel and Newman, is now talking with Columbia Pictures in Hollywood about a \$6m movie for the pair.

Jonathan James-Moore, head of BBC Radio light entertainment, has watched the changes at first hand. "We were interested in the new wave of comedians from the start. I went down to the Comedy Store [London's oldest comedy club] when it first opened in 1979 and recorded four hours of material. We edited it down to 15 minutes and it was still too crude for the powers-that-be."

Since then, attitudes have changed on both sides. The comedians have become less aggressive

while the BBC has become bolder. For James-Moore, the greatest changes in the past few years have been in the style of comedy and in the voracious appetite of television. Today's comedians develop story lines rather than simply firing off a succession of jokes. As for television, it has an insatiable appetite for comedians. James-Moore notes: "The comedians pick our vital organs." Not all comedians are tempted by television. Hill's ambition is to have his own show, but he is suspicious of making one-off appearances. "You might get £700 for a five-minute spot but you use up all your best material." A successful female comedian, Jo Brand, once heard her club audience repeat the punchlines of some of the material she had used on TV the previous night.

Other club comedians make a virtue of refusing to appear on television (or perhaps they are not asked). They are the remnants of the days when the circuit was political - when you got an easy laugh by comparing the former prime minister, Margaret Thatcher, unfavourably with King Herod. These days, few political comedians remain: they have lost heart. Paul Blackman, of Battersea Arts Centre in south London, thinks audiences and performers are more at ease with themselves. "They are comfortable with being anti-sextist and anti-racist and anything goes. You can tell mother-in-law jokes again and get away with it."

Already, though, old-timers are complaining that success has ruined comedy. Audiences come to see their TV heroes and are tamer. Heckling is rare. Some clubs are programming novelty acts, magicians and fire-eaters and moving towards an old-fashioned vaudeville bill. Few these days will give an open spot to a new face without an audition.

Management is taking over. Companies such as Avalon, which has increased its turnover from £100,000 to more than £2m in four years, looks for comedians with writing potential who can develop from creating one-liners to writing plays and TV sitcoms. This path was pioneered by Elton and has been travelled by Sean Hughes and Arthur Smith (whose *West End Hit, An Evening with Gary Lineker*, is being adapted to fit Australian football). Avalon makes sure that its artists do not blow a club routine, which has kept them living comfortably for three years, for the glory of a six-week TV series. It knows that the big financial rewards lie in corporate entertainment, voice-overs, and videos.

Avalon's main management rival, Off the Hook, run by Addison Creswell, still backs the stand-ups. He describes the primrose path: "It's the club circuit; Edinburgh; a first TV series. Then comes the difficult one, the second series. You call in writers and you are lost to the world of sitcom." Some of his stars

Continued on Page VIII

CONTENTS

Finance & Family: Danger for mortgage endowment holders	III
Minding Your Own Business: Green shoots in Belfast	VIII
Property: Unseen threat of radon gas in British homes	IX
Gardening: Obituary: Arthur Hellyer, FT gardening writer	XIII
Arts: Gilbert and George - an odd couple comes home	XVII
Private View: The German trying to teach John Smith a lesson	XX



Paris is still capital of haute couture and home of the £5,000 Ricol dress (above) Page XIII

Arts	XVI-XVII
Books	XVI-XVII
Bridge & Chess	XIX
Crossword	XIX
Fashion	XIX
Finance & the Family	II-VII
Food & Drink	XIX
Gardening	XIX
How To Spend It	II
Markets	XX
Motoring	XX
Private View	XI
Skiing	XI
Sport	XX
Michael Thompson-Noel	XIV-XV
Travel	XIX
TV & Radio	XIX

The Long View/Barry Riley

French without fears



not compute.

Judging by the foreign trade data Britain must be booming, with the monthly current account deficit for December jumping to £2.5bn and imports 7½ per cent higher than a year earlier. We also know that industrial production is down and unemployment is shooting up. Meanwhile it looks as though the narrow version of the money supply, M0, is bursting through the 4 per cent ceiling of its official target range, while in complete contrast the broad version, M4, is slowing down to a degree - growth of just 3.7 per cent year-on-year - which is beginning to alarm monetarists.

This week the traditional signs of British economic mismanagement were strongly in evidence. A hasty and ill-prepared one-point cut in short-term interest rates was ordered on Tuesday, but on Wednesday the £2.5bn auction of 14-year gilt-edged almost flopped, which is especially disturbing given that it is only the first of many such sales which the Bank of England will have to organise this year.

Meanwhile share prices jumped for joy at the hints of further devaluation and inflation to come, although rights and issues from struggling retailers have brought a reminder that in buoyant markets unselective demand tends to encourage low quality supply.

With excellent timing, brokers Barclays de Zoete Wedd produced on Tuesday the latest edition of their *Equity & Gift Study*, the one which annually spells out just how much of a swindle the entire 74 years of the study. During the entire 74 years of the study gilts have returned just 1.2 per cent pre-tax a year on average after inflation, which means that a taxpayer would almost certainly have suffered a

real loss. In contrast, equities have returned an inflation-adjusted 7.3 per cent (income plus capital growth).

The defrauding of gilt-edged investors has varied considerably in its intensity, however. The worst period was in the 30 years or so after the war, during which a gilt-edged portfolio lost three-quarters of its real value even with gross income reinvested. But recently things have got much better. Over the past ten years, with the Thatcher government getting a grip on the economy and then with John Major taking the UK into the European exchange rate mechanism, real returns on gilts have averaged a very acceptable 6 per cent a year. Honest money was being restored. Indeed, in 1992, despite our exit from the ERM, the gross return on gilt-edged was 17 per cent while inflation was only 4 per cent.

But the reversal of policy now appears to be almost complete. Remember that a year ago short-term interest rates were at 10½ per cent and the overwhelming policy objective was the reduction of inflation. Now, interest rates are at 6 per cent and could easily be below 5 per cent soon. That is one reason why the money supply numbers are going haywire. But the government is being panicked by the unemployment figures. If the price of an economic recovery is another dive in the sterling exchange rate, the government now seems unlikely to resist it, and will simply ignore any "temporary" overshooting of its 4 per cent tolerance limit for underlying inflation: the falls in mortgage rates will, of course, ensure that the headline rate for inflation will remain very low, at least until the early part of 1994.

By a curious coincidence the German inflation rate hit 4.4 per cent this week. But you can be sure that the Bundesbank will not relax its struggle, whereas the Bank of England has to do the bidding of its masters at the Treasury. I am surprised by just how cynical institutional investors in the City of London have become about the pros-

pects of being given a fair deal in gilts as the government cranks up its huge borrowing spree.

Certainly, given the choice between ten-year gilts yielding 8.1 per cent and French government bonds yielding 7.9 per cent it is easy to see why a lot of British institutions prefer the Parisian paper. British pension funds now have more money - twice as much, the latest figures suggest - in foreign bonds than in gilts, and if these attitudes persist a funding crunch could be closer than I have supposed.

In this context, a fascinating chapter of the BZW study is highly relevant. Using an optimisation model the brokers suggest that on the basis of the historical data a rational UK investor would not hold any gilts in a long-term portfolio; he should either hold 100 per cent in equities, or a proportion of short-term deposits if he wishes to reduce the volatility. The implication is that in the past gilts have not yielded a big enough margin over cash to reward the extra risk. Indeed, until four months ago long gilts were yielding less than money market deposits.

In opening an increasing gap between short-term and long-term rates Norman Lamont is beginning to address this problem. But he is also, of course, sending out strong hints to the foreign exchange market that he is prepared to allow sterling to slide.

What about the other method of steepening the yield curve, by pushing up the yields on long gilts from 9 to 10 or 11 per cent? Such were the hair-raising tactics used in the 1970s. But in those days British institutions were a captive market because they could not invest overseas. Nowadays their response to official desperation is likely to be an increasing determination to seek refuge in better currencies.

As for the government, the economic computers may be on the blink and the way ahead is obscure. But we have the historical statistics that tell us how administrations like this one behave.

THE SWISS KNOW A THING OR TWO ABOUT MONEY

The Swiss have an enviable reputation when it comes to safely looking after their own and other investors' money, and investors around the world recognise the benefit of owning investments denominated in Swiss Francs. Between May and December 1992, the Swiss Franc appreciated by 24% against Sterling, 9% against the US\$, and 4% against the D-Mark.

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MARKETS

Markets

Dealers cut up rough as rates fall

by Maggie Urry

HOWEVER welcome to mortgagees, this week's cut in base rates, from 7 to 6 per cent, smacks of panic at the top.

The cut certainly took the equity market by surprise. There was an expectation that interest rates would be reduced in the March budget and not before. The FT-SE 100 index jumped 38.8 points on Tuesday when the cut was announced, though much of that gain was lost over the rest of the week.

Indeed, since the highs of the beginning of the year, the market had weakened as hopes of a cut had been deferred. The cut was also clearly unexpected in the gilt-edged market. The timing caused some annoyance to operators there who had been happily preparing for Wednesday's £2.5bn auction of stock by taking short positions. Perhaps it was a fit of the sulks from the gilt dealers that left the auction barely covered.

Such is the self-importance of the stock market that it

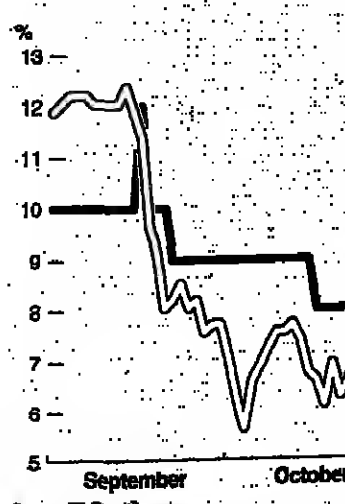
assumed the incoherence to them of the timing showed ineptness, and added to rumours that the Bank of England was hardly consulted before the decision was taken.

Tuesday's move also appeared to take little account of what might happen to the pound. Sterling held steady for a bit after the rate cut, but then dipped again. As an aside, when interest rates were last this low 15 years ago, a pound could buy four D-marks.

It all adds up to a feeling that there has been a shift in emphasis by the government, away from controlling inflation towards getting the economy moving at all costs. The previous week's unemployment figures, showing an acceleration in the monthly increase, and the probability that the next month's figure will take the jobless total to more than 3m, may have been the final straw for the government.

Once one cut is made, the market starts looking for the next, and there are now many who expect a fall to 5 per cent.

UK banks' base rate



Source: FT Graphix

perhaps at budget time. At the same time the Government's backbenchers are pushing for an easy budget in March, on the grounds that any green shoots must be protected, unlike the crocuses now daintily pushing upwards and risking the frost.

Any over-generosity in March, the theory goes, can be reversed, if need be, in December when the second budget of the year is coming. Where that leaves the budget deficit remains a question proponents of this argument prefer to ignore.

The market is divided between those who think that recovery is imminent - and that if anything the risk is that the government's efforts could be oversteering the fire - and others who believe it takes much longer for lower rates to work through to improved confidence, both consumer and

corporate. Both sides point to the US economy. One view is that low interest rates have worked there and the economy is picking up. The other is that US rates have been much lower for much longer than UK rates and it takes a long time for cheap money to have the desired effect.

Either way, all economic statistics and company news over the next few weeks will be closely studied. No doubt many official figures and chairman's statements will give contradictory indications.

This week's trade figures looked awful, the worst since June 1990. But they can be explained by saying that devaluation just makes imports look bigger, and the benefit of a lower pound has not come through to exporters yet. The good old J curve, the dismal scientists' standby when things that ought to be getting better actually get worse, was called in as an explanation.

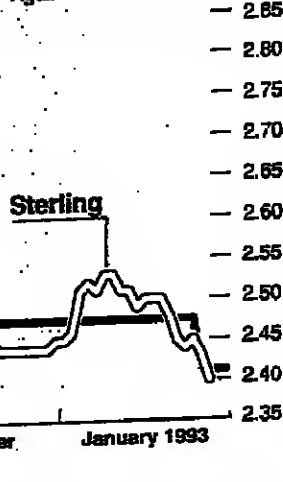
Similarly, Lord Hanson's remarks at his company's annual meeting on Tuesday could be taken to support either view. He said he could see signs of recovery, but they would take a long time to feed through to profits because of the amount of stock in the pipeline.

It is the speed of the recovery in corporate earnings that will decide the progress of the equity market, since the market is already on a high multiple. Here too there is a wide divergence of views, with forecasts for earnings growth covering an unusually wide range.

At least there are some companies which believe they are on the recovery path. Asda and Burton this week called for

Sterling

Against the D-Mark (DM per £)



Source: FT Graphix

Serious Money
Societies head for messy compromise

By Philip Coggan, Personal Finance Editor

THE BASE rate cut this week might have marked a turning point. Savers, rather like the cast of the film *Nazwark*, are starting to yell: "I'm mad as hell and I'm not going to take it any more."

Building societies, which welcomed all previous cuts with enthusiasm, were distinctly lukewarm about the fall to 6 per cent. Their concern is understandable. In five of the 12 months of 1992, they had suffered an outflow of savers' funds. More cuts will only worsen the trend.

Of course part of the rationale behind the base rate cut is to encourage people to stop saving and start spending their money on consumer goods, thereby reviving the economy. That is all very well for those in employment.

But it is not an option for those (mostly retired) people who are living off their savings. Since 1990, base rates have fallen from 15 to 6 per cent; for many savers, this will have meant a cut in income of 60 per cent. To make matters worse, although the rate of inflation has been falling, prices have continued to rise.

What can societies do? They are entitled to a certain amount of sympathy. The housing market is depressed and the bad debt problem remains horrendous. If they fail to turn base rate cuts into lower mortgage rates, they will attract the outrage of homeowners and the press.

It looks as if the societies are attempting a messy compromise. Mortgage rates have come down by around half a percentage point, to 7.99 per cent, with suspicious unanimity in a supposedly competitive market. Savings rates details will emerge only next week (which means our Highest Rates table on page IV is particularly subject to change). The societies will protect their biggest savers - perhaps with only a half-point cut. But if you

have a small sum on instant access, you might find the return is now very low indeed.

The chances are that this compromise will satisfy neither savers nor borrowers. Criticism may well focus on one particular point - why do societies make a profit? They are mutual societies, after all, supposedly run for their members' benefit. Surely, in such straitened times, they should let their profits take the strain by squeezing their margins?

The flaw in this argument is that the societies' desire for profit has in part been fuelled by the regulators. They have been quick to deliver any small society which dips into loss into the hands of one of the top 10. Even if the Treasury and

spouses use their full personal allowances, for example?

Some people reject Tassas because they think that they lock up their money for five years. But, provided the scheme has no penalties, all that happens if you withdraw money early is that you pay tax; if you leave your money in a society, you will do that, anyway. What is more, most Tassas pay higher rates than other savings accounts.

Realism also is needed, according to David Harris, of Chantrey Vellacott: savers simply cannot expect the returns they got 12 or 18 months ago. So, beware of plans that offer a very high income, as they probably involve a significant risk to capital. A rule of thumb is to look at yields on long-dated gilts which are now between 8.5 and 9 per cent. Any product yielding above that level must involve risk.

Gilts are worth considering, but care is needed. Many are trading above face value; thus, you are locking in a long-term capital loss. You can also make a loss in the short term if gilt prices fall. The best way of buying gilts, therefore, is to think only of the yield and hold the bonds till maturity.

Harris says bond funds may now be better than holding gilts directly. There are low-charging funds, such as Abrutts Gilt Income, which has no initial charge and yields 9 per cent; or the Murray Global, which has an initial charge of only 1 per cent and yields 7.4 per cent (although this has an element of currency risk).

Finally, equities. As I argued last week, this is not the time to stake your all in shares. But as the BZW study shows (see page IV), they are the best long-run investment. Yields of 4.4 per cent are comparable with returns on instant access accounts. A regular savings plan is a good way to get the best out of shares while reducing the risk of plunging in at the top of the market.

'The chances are this will satisfy neither savers nor borrowers'

the Building Society Commission made it clear that profits were no longer the be-all and end-all that might not help. The money markets would react adversely to poor profit figures from a society - and force up the cost of its borrowings. Even worse, depositors might take fright and withdraw their savings.

So, what is the consumer to do? Borrowers should consider that mortgage rates may well have fallen as far as they are likely to go; the next base rate cut might see mortgage rates drop only a quarter of a percentage point. That makes the argument for fixing rates at present levels compelling (although you should watch out for onerous conditions).

Savers are faced with some difficult choices. They will need to keep on their toes and not allow their money to rot in an uncompetitive account. Tax efficiency is vital. Do both

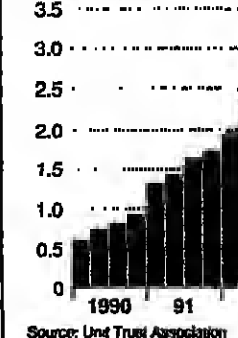
HIGHLIGHTS OF THE WEEK

	Price ytd	Change on week	1992/93 High	1992/93 Low	
FT-SE 100 Index	2807.2	+26.0	2861.5	2281.0	Base rates cut to 6pc
FT-SE Mid 250 Index	2954.8	+45.8	2964.5	2157.8	Underlying confidence
BP	245½	-14½	304	182	Firm oil prices
BT	407	+25	418½	305	Hoare Govett "buy" recommendation
Berkley	351	+28	355	186	Soros fund buys 3.19pc stake
British Aerospace	253	-38	379	100	Saudi defence contract
Hanson	250½	+12	251	184½	Buying for yield
Kleinwort Benson	348	-31	350	212	Surge in market activity
Lasmo	165	+14	263	112	Firm oil/new chief executive
Midlands Radio	131	-19	131	70	Bid from Capital Radio
Reuters	1394	+84	1438	982	Launch of new service
Rolls-Royce	126½	+10½	176	89	US air order
Royal Insurance	267	-22	294	118	Broker downgrade/risks fear
Smith (WH) A	416	-37	523	357	Poor results
Volex	444	+29	460	260	£17.5m rights well received

AT A GLANCE

Unit Trust PEPs

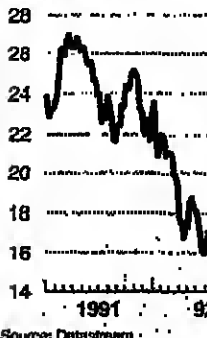
Value of funds (£bn)



Source: Unit Trust Association

Tokyo

Nikkei Average (000)



Source: Datastream

Trusts reach record levels

The value of funds under management in the unit trust industry and in unit trusts PEPs, have both reached record levels. In the case of the industry as a whole, it was strong stock markets which pushed the total to £63.8bn; there were actually net redemptions in December. Unit trusts PEPs have benefited from last year's Budget change which allowed the full £6,000 allowance to be placed in trusts. In the fourth quarter of 1992, investors put an extra £340m in such PEPs, and made redemptions of only £52m.

Nikkei passes 17,000

The Nikkei average rose above 17,000 for the first time this year as investors speculated about a possible cut in interest rates. The market rose 553 points to 17,063 on Thursday and ended the week at 17,023. Even after the rally, however, the index is less than half the record level it reached in late 1989.

Fixed-rate Tassas

TWO building societies are offering fixed-rate Tassas. Britannia's new Tassa guarantees 6 per cent gross. However, £5,500 is required in a feeder account, which also pays a fixed but taxable 3 per cent gross. The maximum will be transferred into the Tassa each year. Britannia will not allow transfers into the fixed-rate Tassa from existing Tassa-holders.

National & Provincial building society's guaranteed Tassa will pay 7.5 per cent gross but allows a minimum investment of £100. Those who can afford £8,400 up front can put this in a feeder account, also fixed at 7.5 per cent gross for annual transfers.

Abbey National has replaced its Tassa with a second edition, paying tiered rates of interest. If your total capital was for the maximum - £6,600 - you will see no difference in the 7.5 per cent being paid on this tier. Those with balances of up to £3,000 will only get 7.1 per cent. Interest on £3,000-£4,750 is 7.3 per cent and from £4,800-£6,599, 7.4 per cent. The first edition has been withdrawn but existing Abbey Tassa-holders do not have to switch.

Booklet on wills updated

Help the Aged has updated its booklet "Your Guide to Making or Changing Your Will" and has added a document enabling people to keep a record of personal assets. The free booklet can be obtained from Legacy Department, Help the Aged, St James's Walk, London EC1R 0SE.

Micropal performance awards

Micropal unveiled its investment performance awards this week. Parapet was awarded the title of best investment group; best life insurance fund manager was won by Pearl Assurance; best individual pension fund manager by Irish Life; and best investment trust manager by Foreign & Colonial.

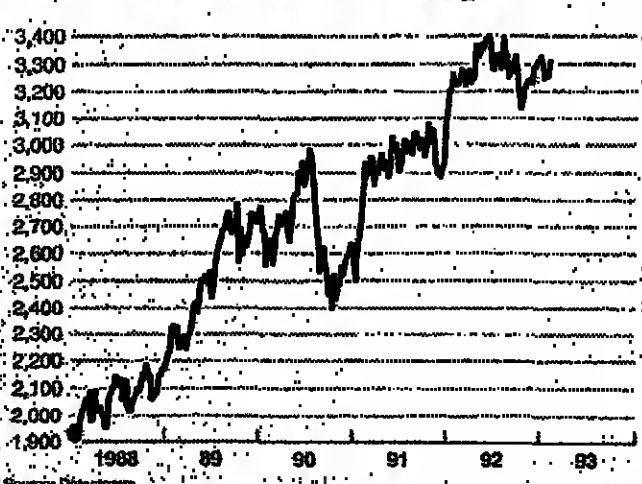
Good week for smaller companies

It was another good week for smaller company shares (see Bottom Line). The Hoare Govett Smaller Companies Index (capital gains version) rose 2.7 per cent from 1263.46 to 1287.74 over the week to January 28, while the County Index rose 2.8 per cent from 985.11 to 1012.93.

Wall Street

Investors develop a taste for revolution

Dow Jones Industrial Average



Source: Datastream

WHILE corporate heads were rolling almost everywhere this week (often to the accompaniment of shareholder applause), the chairman of American Express earned an unexpected reprieve, and the company's stock paid the price.

In an extraordinary counter-attack, Amex's long-time, and much criticised, chairman, James Robinson, won a battle against dissident board members and not only retained his position at the helm of the company, but also assumed new managerial powers over Amex's troubled brokerage subsidiary, Shearson Lehman Brothers.

The news disappointed Wall Street. Disappointment, in fact, is too pale a word to describe the market's reaction - despair would be better. One fund manager told the *Wall Street Journal*: "When you see politics win over shareholders, once again it makes you think that Mr Robinson is unique in his disregard for shareholders and control over the company."

Another member of the investment community was

even more trenchant: "Arrogance and self-absorption won out over the interests of shareholders... Mr Robinson is a big negative. Whatever the p/e ratio is, it's less with Jim Robinson in the company. Period."

Investors were equally uncompromising with Amex, selling the stock in large numbers. After news of Robinson's victory broke, Amex shares dropped 13 per cent to \$22½ in three days. The selling reflected several sentiments: unhappiness with the outcome of the board battle; disappointment at the failure of Amex to find a chairman from outside the company; dissatisfaction with the fourth-quarter and full-year 1992 results, which were well down on the previous year; and a lack of confidence in Robinson's ability to tackle Amex's deep-rooted problems, especially those at Shearson Lehman.

While Amex's chairman was granting himself a last minute reprieve, two other chairmen of big US corporations were forced to walk the plank - John Akers of International Business Machines, and Paul Lego at Westinghouse Electric. Although the latter insisted

that boardroom pressure had not forced him to resign, Lego is leaving after only two and a half years at the helm of Westinghouse. His departure also comes on the heels of heavy criticism of the company's management by shareholder activists and industry analysts, all of which suggests that Lego may have jumped before he was pushed.

As one big Westinghouse

investor put it: "I don't think Lego would have done it without firm nudging from the board." The news of Lego's departure was generally received positively by the stock market, which bid Westinghouse shares up 4½ to \$14 on the day he stepped down.

At IBM, the situation was much clearer. Having insisted recently that he would remain

as chairman for several more years, Akers' sudden resignation on Tuesday, and the demotion/early retirement of two of his key lieutenants, made it clear that the patience of board members and shareholders had finally run out.

Last week's announcement of a record \$4.97bn loss for 1992, which forced IBM to slash its quarterly dividend for the first time in its history, must have been the final straw. Again, the market welcomed the management reforms, with heavy demand lifting IBM shares up from below \$48 to \$51½ by the week's end.

The rise in IBM shares, however, cannot be solely attributed to the changes at the top of the company. The stock also benefited from the decision by some investors this week to switch out of overheated small-company stocks and into bigger cyclical industrials.

This switching may prove to be only a temporary phenomenon, but it was a welcome development nonetheless for the beleaguered components of the Dow Jones Industrial Average. For the first time in weeks, the Dow put in a stron-

ger performance than over-the-counter stock indices.

The turnaround was partly the result of a natural correction in the market - investors took profits on their OTC holdings and moved some of that money back into industrials - and partly a response to the news that economic growth at the end of last year was surprisingly strong.

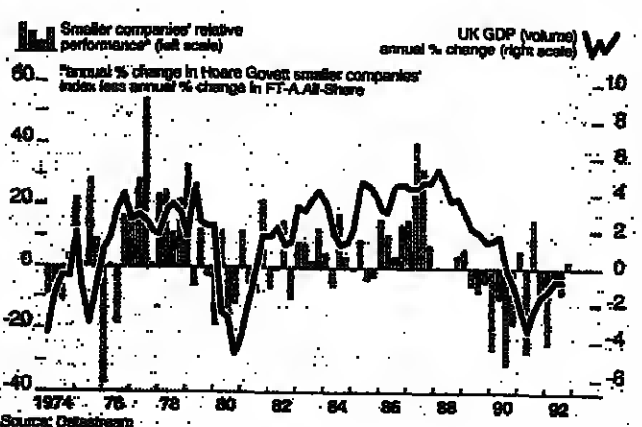
The Commerce department announced on Thursday that gross domestic product grew at an annual rate of 3.8 per cent in the final quarter of 1992, the healthiest growth in four years. The GDP report indicated that the economy has decisively broken free from the 1990-1991 recession, and it immediately encouraged investors to take a fresh look at cyclical stocks like IBM, General Electric and International Paper, which tend to move in line with the ups and downs of the economy.

Patrick Harverson

Monday	3292.20	+ 35.89
Tuesday	3298.95	+ 6.75
Wednesday	3291.38	- 7.56
Thursday	3306.25	+ 14.86
Friday		

The Bottom Line

Hope for small companies?



Source: Datastream

able to survive the recession." Yet, the biggest reason for optimism must be the recent cut in interest rates. The government's decision to quit the exchange rate mechanism offered the one real boost to the depressed small companies' sector last year.

"The difference between last year and this year is that this time we know growth is going to happen," says Richard Hickinbotham, small companies' analyst at S.G. Warburg. "If there is not enough evidence to sustain that view, then rates will go lower."

As rates decline, investors will be tempted increasingly away from saving and into the equity market. Hickinbotham maintains that the small company sector is sitting on the brink of a recovery. "If only a small proportion of funds on deposit even attempt to go to small companies, you have a quan-

tum change," he says. Such change would be welcome to the sector, which has had an unprecedented fourth year of underperformance compared with the FT-ALL-Share.

The statistics for 1992 make gloomy reading: earnings have declined and dividends fallen

for the third successive year in real terms. Small companies offered a capital gain of just 3.9 per cent and a total return, including reinvested dividends, of only 8.5 per cent. This compares with 14.8 and 20.5 per cent respectively for the FT-ALL-Share. The real performers

last year seem to have been medium-sized companies.

Despite the bad news, Dimson and Marsh have found some cause for celebration. Small company investment trusts outperformed the HGSC as a whole, with a return of 15 per cent. Yet, even this is subject to a caveat: investment trusts tend to be weighted more heavily in the top end of the small company sector - ie, the medium-sized stocks.

The long-term outperformance of smaller companies continues. Just £1 invested in the HGSC in 1955 would have returned £556 today - including the reinvestment of dividends - against £151 for the All Share.

Since 1955, Dimson and Marsh argue, the total return on the HGSC has been more than 18 per cent - a 4 per cent premium relative to the All Share. Divided growth over 38

years continues to progress at a higher rate than on the All Share. But the number of investors prepared to stick it out for 38 years are few. Recovery for small stocks may be overdue, but enthusiasm should be tempered with realism.

Smaller companies are likely to depend more on the UK economy than their larger colleagues. So, any market recovery must be tied to an upturn in the economy. The chart above shows how closely the relative performance of the HGSC follows swings in gross domestic product. On a five-year pattern, says Dimson and Marsh, annualised rates of return from the HGSC are likely to lag behind the All Share for several years.

Such warnings aside, the bulls remain insistent on an 18-month view. "The sector has taken costs out and is highly operationally geared," says Hickinbotham. Hoare Govett agrees. "Investors are likely to be pleasantly surprised by the recovery in earnings in 1993 and 1994."

Peggy Hollinger

Endowment threat to mortgage repayments

John Authers asks if policies will fail to cover loan obligations

THOSE who bought an endowment policy between 1987 and 1989 may find their golden goose turns out to be an albatross. Most mortgages purchased during those housing boom years were backed by an endowment. At the time, many were eager to get into the housing market and did not stop to bother too much about the policy which the lender added on top.

As the figures on prices and repossession show, many also borrowed more than they could afford and bought houses which lost value. Now, a new element of misery could be added - the low-cost endowments taken out to repay the loans may fail to do so.

Endowments come with a guaranteed "sum assured", but this is not for the size of the loan; an endowment which guaranteed this would be expensive. Instead, it is fixed at a level lower than the total of premiums paid in. The policy needs a certain investment return to pay off the mortgage.

This method is cheaper; hence, such endowments are known as "low-cost." But the endowment could fail to pay off the mortgage if its investments do not perform as well as expected.

As previous articles have made clear, those who took out endowment policies in, or before, the early 1990s already have enjoyed good investment returns and need not worry: the problem is confined to the late 1980s.

Lenders have to decide if endowments are acceptable security for the loan, and the assumptions needed to determine this vary according to whether the policy is with-profits or unit-linked. The latter assumes an annual investment growth rate - in the case of Allied Dunbar, 7.5 per cent, after charges, during the late 1980s. If this is achieved, the policy will be paid off.

With-profits policies, where annual bonuses are added each year and a terminal bonus can be added at the end, assume that annual bonuses will continue at 80 per cent of their present rate, with no terminal bonus. They ultimately depend on their investment growth.

Some lenders may have been too optimistic in their assumptions for endowment growth rates. With-profits offices have cut their bonuses this year, and returns have been harmed by poor performance in the property and equity markets. Predictions are widespread that returns for the rest of this decade will be low.

Several companies now admit that endowments sold at the peak of the boom might not reach their target. The annual returns they require from oow until the maturity date have crept above 10 per cent, after paying expenses and taxes. Such returns are not unrealistic; but with inflation and interest rates at low levels, it is conceivable that the policies will miss their target.

This might sound like a problem that will manifest itself only in 2013, when endowments bought in 1988 mature, but those who can afford it might want to take action now.

Insurers are adapting their systems so that they can ask customers to increase their premiums if the policy seems to be falling short. But Tony Shepherd, chairman of the Institute of Financial Planning, suggests this is the last thing you should do.

Those nervous about their endowment should supplement it with tax-efficient saving, such as a PEP, he says. A life office which asks for an increased premium is, effectively, admitting it has failed, so it is hard to see why borrowers should pay it more money. Shepherd's advice to the many people considering stopping the premiums on with-profits policies is, however, unequivocal: "Once you've got it, you're stuck with it." None of the options is as worthwhile as continuing to maturity, even if dire predictions for

future returns are correct. Unit-linked contracts offer a simpler deal, as values are determined by the underlying performance of the units, while with-profits returns are at the discretion of actuaries.

The options are:
■ **Surrender**
This is almost certainly the worst choice. You stop paying premiums and take the returns from the policy immediately. But all the expenses of setting it up, meant to be spread over 25 years, will have to be taken out of the premiums paid in already, making a bigger proportionate impact. Surrender values need not take account of bonuses added on, as these are guaranteed only if the policy continues to maturity.

It often takes 10 years before the surrender value is greater than the total premiums paid in, so this is an act of desperation. With a unit-linked policy, the costs are taken via a "nil allocation period" at the start when premiums do not buy any units. After this, the surrender value will equal the

total value of the units.
■ **Making the policy paid-up**
This involves stopping paying the premiums but only taking the proceeds at the scheduled maturity date. The value will not be as good as you would get by continuing to pay the premiums because the start-up costs will be spread over a smaller sum. But by giving the investment longer in which to earn compound returns, you should ultimately get more than if you surrender.

John Lister, of General Accident Life, says standard practice is to reduce the sum assured by a proportionate amount and then add bonuses to this reduced amount. The amount you receive eventually depends on future bonus rates.

Most companies will not allow a policy to be made paid-up in its first year or two. After this, the value improves the longer the policy has been in force. Standard Life says a policy started 25 years ago, with annual premiums of £360, and made paid-up 10 years ago, would have paid out £44,045 on

maturity. Had all premiums been paid, the maturity value would have been £68,848 - compared with a surrender value at the time of £10,048.

The returns on premiums paid make the trade-off clearer. The surrender value gave a return of 7.4 per cent, the paid-up policy 11.7 and the



policy value 13.5. The past 10 years have produced good returns, so this is a flattering period over which to judge the policy. Those who can afford to continue paying premiums are well advised to do so.

■ **Selling the policy**
Dealers have established a market for second-hand endow-

ments. Policyholders in search of cash can ask for a quote from a marketmaker. This is usually higher than the surrender value. But the marketmaker will then take a cut and sell it on to someone else for a profit. The fact that this is possible shows that a better return should be achievable by

keeping the policy to maturity. There is no need to panic. Endowments are unlikely to miss their target by much, and planning should make up any shortfall. But if they do fail to repay loans, the final words will have been written in an unhappy episode for the housing industry.

Lenders will not pass on full rate cut

LIKE HERDED sheep, banks and building societies were quick this week to follow the 7.99 per cent mortgage rate set by Halifax, the largest lender.

The society said it had given "special consideration" to its savers in setting the new rate, which represents a cut of only 0.56 of a percentage point compared with the base rate drop of 1 point. It applies immediately for new borrowers and from March 1 for existing mortgage-holders.

Those with a £50,000 mortgage, and paying 8.55 per cent, will see their monthly payments drop from £355.41 a month to £340.08 if they have a repayment mortgage. A 29-year-old non-smoker with an endowment mortgage will see his payments fall from £364.81 to £344.98.

The cut has had a noticeable impact on what can be afforded, according to figures compiled by the FT. Assuming a mortgage rate of 7.99 per cent, then a loan on an average-priced house (according to Halifax's index) oow costs 17.8 per cent of average income - down from 19.11 per cent after the last base rate cut in November. This is almost down to the level of 17.35 per cent recorded in 1972.

The only institution so far to have passed on the full 1 point base rate cut is UCB, the UK subsidiary of Compagnie Bancaire, a French financial services group. But UCB previously was charging 8.99 per cent, well above the market rate, and existing customers will have to wait until April 1 for the new rate of 7.99.

Other banks and building societies to have announced a 7.99 rate are Abbey National, Alliance & Leicester, Barclays, Britannia, Chelsea, Cheltenham & Gloucester, Coventry, Leeds Permanent, Lloyds Bank, Midland, National & Provincial, Nationwide, Northern Rock, Nottingham, Royal Bank of Scotland, Staffordshire, Stroud & Swindon, TSB and Woolwich.

The rates apply from March 1 for existing borrowers, with some exceptions. Lloyds' new rate will apply to both new and

existing borrowers from February 26. Chelsea, Northern Rock, National & Provincial have not yet decided on a date for existing customers.

There has been some variation in the rates. Household Mortgage Corporation, a centralised lender, has announced that its new figure will be 7.69 per cent from April 1 for new and existing borrowers. Its mortgage-holders now are paying 9.55 per cent, which will be reduced to 8.45 per cent from March 1.

Firstdirect goes to 7.95 per cent, a drop of 0.54 of a point. Existing borrowers benefit from March 1. Manchester building society has cut by 0.56 of a point to 7.99 per cent with immediate effect for new borrowers and from March for existing customers.

Rates at National Home Loans, another centralised lender, continue to lag behind. The new figure is 9.99 per cent from April 1; borrowers on the present standard variable rate are paying 10.5.

There are some variations on the standard rate depending on the size and/or the proportion of the house's value you borrow. The new rate for those borrowing over £100,000 from Abbey National is 7.7 per cent, while those borrowing less than 80 per cent of the value of the home at Woolwich will pay 7.65 per cent.

First-time buyers are being courted actively while new fixed rates continue to be launched. Many are tied to endowment or pension mortgages, restricting the choice to those wanting a repayment mortgage.

Stroud & Swindon has a two-year, 6.95 per cent fixed-rate mortgage available in both repayment and endowment modes. The fee is £150 and the early redemption penalty is three months.

Staffordshire also has a 6.49 fixed-rate offer until March 31 1995 for a fee of £195, available on repayments and endowment mortgages. Neither society requires customers to buy insurance-related products.

Scheherazade Daneshkhu

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No FT...no comment.

FINANCE AND THE FAMILY

Shares win in the long run

IN THE long run, there is no substitute for buying shares. That is the conclusion of the latest edition of the BZW Equity-Gilt Study, which analyses figures dating back to 1918.

Over that period, the average annual nominal return on equities has been 11.9 per cent, compared to 6.4 per cent from gilts and 5.5 per cent from cash (Treasury bills). In real (after inflation) terms, shares gave returns of 7.3 per cent a year, compared with 1.16 per cent from gilts and 1.04 per cent from cash.

When compounded, the effects of this difference are staggering. Some-

Philip Coggan looks at a BZW study of equities and gilts

one who invested £100 in shares in December 1945 would have turned this into £34,179 by the end of 1992; the same sum in gilts would have grown to £1,432 and in cash to £2,549. In real terms, an investor in gilts has actually lost money over the same period.

These returns are gross and ignore the effects of tax and the costs of dealing. Nevertheless, BZW says that even allowing for these costs, shares come out well on top.

If you allow for basic rate tax, the

real yield on equities over the last 25 years has been 4.4 per cent allowing for top rate tax. It has been 2.1 per cent.

Michael Hughes, managing director of BZW economics and strategy, thinks that shares will continue to outperform, although the gap will be narrower. He is expecting gross real returns on equities to be around 6.5 per cent over the next five years and on gilts to be 3.5 per cent.

Gilts will do better than previously because of lower inflation, thinks

BZW, and equities will not do quite as well as before because of lower real dividend growth.

Nevertheless, Hughes says that real returns could mean that the FT-SE 100 index, currently around 2800, will reach 7000 by the end of the decade.

So what should investors do? BZW figures show that an investor who wants the best long-term total return (and is oblivious to risk) should invest totally in shares. Few people are oblivious to risk, however.

Michael Hughes suggested a strategy of investing in a portfolio of gilts and using the income to invest in shares via a savings scheme approach. That might be a rather cumbersome strategy.

Those who want income might also look askance at shares. But someone who bought a portfolio of shares when Margaret Thatcher took office in 1979 would have seen his income nearly quadruple by 1992.

None of this proves that shares will do well in the short term. But for those who can afford to invest for five years or more, the case for shares looks compelling.

The Week Ahead

FYFFES, the Irish-based fruit and vegetable distributor, is heading for a modest increase in pre-tax profits on Tuesday, having weathered recession in Europe and ERM currency upheavals during its year to end October 1992.

Profits of £28.5m are expected against £27.1m last year, with the dividend likely to rise to 0.893p (0.8126p) after the interim was upped to 0.3549p (0.3226p). Earnings per share, diluted by issues in 1992, are likely to fall to 5.7p from 6.73p.

Expansion into continental Europe has come at a difficult time. The group's year-end

coincided with sterling's 15 per cent decline in value against the Irish currency, with 50 per cent of turnover coming from UK operations.

Bullough, the office products and refrigeration group, is expected to produce results on Monday in line with its December profit warning of a slump from £20.8m to £5.5m in pre-tax profits for the year to October 31. Earnings per share are likely to be between 4.5p and 4.6p (11.55p), with the dividend held at 8.65p. Confirming this year could rise to £12m, confirming the group's position as a potential recovery stock.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS				
Company bid for	Value of bid per share	Market price	Price of bid	Blender
Brode	125	131	108	95.29 Laporte
Do. Pyl	112	110	101	45.7 Laporte
Hunter Saphir	42	43	36	10.37 Albert Fisher
Owners Abroad	113	115	109	168.37 Airtrons
Do. City Pyl	103	205	179	53.5 Airtrons

*All cash offer. **Cash alternative. \$For capital not already held. †Unconditional. **Based on 2.30 pm prices 28/1/93. \$95 shares and cash. †Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividends per share (p)
Abstract Preferred	May	(-)	(-)	8.72 (11.82)
Allied Textile	Sept	12,700 (13,200)	30.8 (31.7)	12.6 (12.3)
Aulic Associates	Sept	3,880 L (360)	(-)	(-)
Cardiff Property	Sept	921 L (108)	(-)	(-)
City & Commercial Inv	Jan	2,507 (2,540)	(-)	(-)
City Site Estates	Sept	17,970 L (3,370 L)	(-)	(-)
Demon Holdings	Sept	3,000 (1,870)	55.0 (28.4)	24.0 (22.0)
Dorbyl Tat	Dec	2,880 (2,960)	16.63 (18.43)	16.53 (18.43)
Domino Printing	Oct	11,940 (9,030)	30.02 (27.7)	7.2 (6.29)
First Maryland	Dec	92,500 (75,100)	(-)	(-)
Freuch (Thomas)	Oct	110 (285)	0.19 (5.51)	3.62 (3.62)
Graham Telecom	Oct	767 (355)	1.94 (1.0)	0.25 (0.21)
Lookers	Sept	1,810 (3,210)	0.9 (12.1)	6.2 (6.2)
Mahem UK Index	Dec	1,8307 (2,2007)	3.77 (4.54)	3.77 (4.5)
Merlin Int'l Props	Jun	3,980 L (21,300 L)	(-)	(-)
Northbridge Fine Art	Sept	1,110 (2,160)	3.25 (6.54)	2.25 (2.25)
Principality Building	Dec	17,000 (15,100)	(-)	(-)
Securguard	Nov	5,740 (5,020)	19.0 (17.0)	9.4 (8.5)
Selective Assets	Dec	976 (700)	2.54 (1.4)	1.2 (0.82)
Shawbrook	Oct	2,000 (1,400 L)	0.7 (1.4)	(-)
Stable	Sept	305 (47,420 L)	0.15 (1.5)	0.5 (0.9)
St Andrew Tat	Oct	(-)	(-)	7.55 (7.55)
Werner Estates	Sept	7,480 (7,640)	11.15 (10.8)	10.5 (10.0)
Wescol Group	Jul	2,490 L (1,350 L)	(-)	(-)
Witton Inv Co	Dec	27,520 (26,270)	5.71 (5.67)	5.6 (5.3)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends per share (p)
AB Consulting	Oct	848 L (327)	0.3 (2.3)
Burgess	Nov	3,070 (2,240)	(-)
Canara	Oct	175 (206)	1.0 (1.0)
Centex-Cyclone	Dec	877 (788)	2.28 (2.28)
CST Emerging Asia	Dec	70,620 (18,310 L)	(-)
Dale Electric	Nov	544 (497)	2.0 (2.0)
Davies (D)	Oct	484 L (426 L)	(-)
Dynon (J&K)	Sept	341 (347)	2.0 (2.0)
Europe Energy	Sept	146 L (148 L)	(-)
Exceller Group	Oct	183 L (305)	0.2 (0.4)
Emoor Dual Inv	Nov	221 (322)	2.5 (2.5)
Farepak	Oct	965 L (813 L)	1.65 (1.45)
Farrington	Aug	151 L (281 L)	(-)
Firth (S&H)	Sept	1,500 L (712 L)	(-)
Geared Income Inv	Dec	1,3407 (1,3007)	2.08 (2.08)
GT Japan Inv Tat	Dec	1,2304 (2724)	0.4 (0.4)
Heath (Samuel)	Sept	85 (72)	1.5 (1.5)
Heritage	Oct	53 (96 L)	(-)
Hong Kong Inv Tat	Dec	178 (24 L)	0.75 (1.0)
Hoyle (Joseph)	Sept	339 (5)	(-)
Independent Inv Co	Dec	1,120 (582)	(-)
Jury's Hotel	Oct	2,150 (2,070)	2.0 (2.0)
Kleinwort High Inc	Dec	1,0104 (1,2604)	1.87 (1.87)
Lester & Co	Sept	1,620 L (1,390 L)	(-)
MFI	Nov	12,700 (19,000)	1.25 (1.25)
Mills	Nov	3,760 (3,580)	2.6 (2.27)
Murray Smaller Mkts	Nov	1,540 (1,910)	1.35 (1.25)
Murray Spill Capital	Nov	278 (1,400)	2.65 (1.0)
Northern Electronics	Oct	224 (33)	(-)
Osprey Comm	Sept	90 (314)	(-)
Park Food	Sept	3,680 L (4,350 L)	2.0 (1.8)
Priam Leisure	Sept	478 (373)	0.9 (0.75)
Property Tat	Sept	426 (6,300 L)	(-)
Proteus Int'l	Sept	1,200 L (1,120 L)	(-)
Refect Shop	Sept	884 L (587 L)	0.5 (1.08)
Richmond Oil & Gas	Sept	388 L (23)	(-)
Rubicon Group	Nov	1,220 (263)	1.5 (1.5)
Seville Gordon (J)	Oct	1,280 (1,350)	0.6 (0.8)
Shelton (Martin)	Sept	144 L (122 L)	0.75 (0.75)
Shield Group	Sept	54 (1,340 L)	(-)
Smith (W)	Nov	40,200 (50,100)	4.3 (4.3)
Stewart Zigmola	Sept	4,750 (5,010)	1.5 (1.5)
TR Smaller Cos	Nov	4,550 (7,810)	2.1 (2.1)
Unitech	Oct	77 L (194 L)	(-)
Wood (John D)	Sept	305 (488)	0.5 (0.3)

(Figures in parentheses are for the corresponding period.) Dividends are shown net pence per share, except where otherwise indicated. L = loss. 1 = Net revenue. 2 = Third interim dividend. 3 = Figures for nine months. 4 = 1st quarter figures. 5 = Figures quoted in US dollars. 6 = Net profits. 7 = Last years figures for 15 months. 8 = Figures quoted in Irish pounds & pence.

RIGHTS ISSUES

Ade Group is to raise £347m via a 3-for-10 rights issue at 53p. Barton Group is to raise £163m via a 1-for-4 rights issue. B&H Holdings is to raise £14.5m via a 2-for-1 rights issue at 75p. Shale is to raise £25m via a one-for-three rights issue. Volex Group is to raise £17.5m via a 1-for-4 rights issue at 34p. Wessex Water is to raise £144.5m via a one-for-six rights issue at 480p.

RESULTS DUE

Company	Announcement date	Last year	This year
Bullough	Monday	1.75	4.3
Castle Cern Inv Tat	Monday	-	1.75
Continental Assets Tat	Wednesday	-	0.75
European Assets Tat	Friday	-	1.25
Fyllis	Monday	-	-
Hawthorne Brewery	Tuesday	-	-
Malvern Group	Thursday	0.008	0.004
Season Holdings	Tuesday	-	-
Wessex Management	Wednesday	1.5	2.7
Wessex Water	Wednesday	-	2.0
INTERIM DIVIDENDS			
Blue Group	Tuesday	1.5	2.5
Bristol Channel Ship Repair	Thursday	1.85	-
Coat (D)	Thursday	-	-
CRT Group	Monday	0.2	0.3
English & Caledonian Inv	Friday	0.078	1.825
Esart	Monday	1.25	2.4
Haynes Publishing	Monday	0.25	0.5
Hellen Holdings	Monday	2.6	3.5
Northumbrian Finance	Tuesday	0.65	-
TR City of London Tat	Wednesday	0.75	-
Waltham Industrial Inv Tat	Monday	1.19	-
Yates	Tuesday	1.65	4.7

Dividends are shown net pence per share and are adjusted for any intervening share issues. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

Giro speeds cash transfers in Europe

TRANSFERRING money internationally through commercial banks is slow and expensive - something that is well known to anyone who makes and receives payments regularly. Often, the customer finds it difficult to discover the price.

There is, however, an answer to the problem, at least for intra-European payments. A new system called Eurogiro links 14 European countries and could be joined by Japan before long.

The 14 members are the three Nordic nations - Sweden, Norway and Finland - Switzerland, and all EC members except Italy, Greece, and Portugal. Italy is expected to announce that it intends to join when the Eurogiro directors hold their next meeting in Brussels on Friday.

Japan's Postbank would also like to join, but the United States is a problem because there is nothing resembling the post office giro system in America.

Eurogiro is run by the Danes, who got the job because the giro system is especially well developed in Scandinavia. Its managing director, Mogens Hansen - a co-director of Denmark's GiroBank - said in Copenhagen this week that it began in November last year in response to criticisms of the system operated by commercial banks.

Hansen said: "We offer the consumer a product which is cheap. It is transparent: the customer knows exactly what the cost is for both sender and recipient. And it is fast: we guarantee to complete a transfer within three bank days of a debit, or one day less if the system for urgent transfers is used."

A card, available to all customers, lists prices for payers and payees in each country. For example, making a pay-

ment from Denmark costs DKK15 while the receiver in the UK pays £2.

"We guarantee to keep our prices lower - or, at a maximum, never higher - than the banks," Hansen said.

Britain's Girobank, which has been owned wholly by the Alliance & Leicester Building Society since being privatised in 1980, is a part of Eurogiro. But the giro system is relatively undeveloped in Britain.

According to Girobank's press office, the UK operation carries out about 135,000 transactions a year compared with about 250m by Denmark's Giro-

New system responds to complaints about banks, writes Hilary Barnes

Bank, although Denmark's population is only 5.1m to Britain's 60m.

Hansen said that since Eurogiro opened - accompanied by a big advertising campaign in all member countries - interest had been enormous. Eurogiro expects to make around 7m transactions in its first year.

In view of the large number of trade transactions between European countries, this total is quite small. But Hansen points out that the more people who use Eurogiro, the cheaper it will become.

The system is easy to use. The recipient must have a giro account and the sender needs to know the number, but the sender does not necessarily need an account.

You can go to the local post office, fill out a giro form, pay cash at the counter - and off it goes.

Warning over BES outlays

SEVERAL new business expansion scheme companies were launched this week. Meanwhile, Flexid, which is sponsored by Richard Ellis Venture Consultants, sold out very quickly. But John Spiers of BES Investment warns that people who pay top-rate tax on only a small part of their incomes may be putting too much into non-recourse schemes. Basic-rate taxpayers lose if they take money after six months.

New schemes this week include:

■ The Shannon Companies Sponsored by British Linen Bank, these will buy repossessed properties from Bank of

Ireland Home Mortgages. Non-recourse loans of 75p per £1 invested are available after six months, while the return after five years is £1.07 per £1 invested originally.

■ Artesian Select Not to be confused with "guaranteed" schemes, this is the latest in a long series of companies which buy properties, or building sites, in London and aim to make a profit from

rental yield and capital growth after five years. There is no guarantee, but there is also no upper limit on the return.

■ House the Homeless of London (Spring 1993 Issue) Sponsored by Downing Corporate Finance, this is the latest scheme to buy properties for the Peabody Trust, which will pay £1.15 for every £1 share at the end of five years.

There is no independent

bank guarantee so the offer depends on Peabody, which has properties with an open market vacant possession value of £225m.

■ Kerrington MaxGrowth Like Artesian, this is the latest in a series of non-guaranteed companies which will aim to profit from high rental yields in London.

■ London and Home Counties Repossessions Sponsored by Close Brothers, this aims to profit from cheap repossessed properties. The sponsors hope to obtain rental guarantees from colleges and housing associations.

John Authers

Pep fee waived

THE END OF the tax year often leads to special offers from financial groups. Scottish Equitable is offering to waive its fixed administration fee (£45 plus VAT) for those who buy its Premium personal equity plan between February 1 and April 30.

The Premium Pep is linked to six unit trusts. There is no initial charge on these, which means investors buy units at the "creation" price, which is well below the offer price. There is still a bid-offer spread of around 1 per cent, but this reflects Scottish Equitable's costs in buying and selling the shares the trusts own.

Scottish Equitable does, however, impose an annual Pep charge of 0.875 per cent (plus VAT) on top of the normal yearly unit trust management charge of 1 per cent or so. And those who want to sell their Pep holdings will face exit charges within the first five years.

Martin Currie, the Edinburgh-based fund management group, is also offering a 2 per cent discount on Pep investments into its range of nine unit trusts for those who apply by March 26.

*On p19 of the Quarterly Review, published today, I attribute this plan incorrectly to Scottish Amicable. My apologies for this error.

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EMPLOYEES WHO receive benefits from their employers should start examining their tax returns with extra care as the implications of a concession from the Inland Revenue sink in.

More than 130,000 people with in-house benefits can expect to receive refunds as a result of a long-contested court battle which was concluded in November.

The Revenue has already shown itself eager to hand back £500m a year in tax on share dividends and bank interest in the last few weeks with a new £2m advertising campaign. Now it is sheepishly admitting that it will be paying out up to £30m to employees who have been over-taxed on benefits.

Many have been taxed through pay-as-you-earn or on their assessments will be able to claim refunds as far back as the 1986-87 financial year.

The reason behind the change is an embarrassing and unexpected defeat for the Revenue in the House of Lords late last year concerning John Hart, a schoolteacher at Malvern College, and ten of his colleagues.

The Revenue had argued that Hart and his fellow teachers should pay tax as a benefit on any reduced-rate private school fees for their children below the average cost of tuition, the total costs divided by the number of pupils.

Hart argued - and won - on the grounds that he should only be taxed on any amount they were paying below the marginal cost of tuition - the additional cost of teaching one extra person, to include items such as books, laundry and food.

After several weeks to think through the implications of the Law Lords' decision, the Revenue has now issued guidance on the ruling.

The groups which are likely to be affected are employees receiving goods and services provided by their employers free or at a discount from within their business; and those able to use business assets partly for private use.

The ruling will have no effect on many benefits, including a number covered by separate legislation such as company cars, beneficial loans and living accommodation.

The largest of these groups are employees of British Rail



Tax victory prompts new guidelines

Andrew Jack reports on Revenue moves to pay back tax on benefits

and London Transport, which are offered concessionary travel. These are so large that the Revenue is making special arrangements, and employees need not contact their tax office directly.

Others likely to be affected - aside from concessionary tuition fees for private school teachers - include employees of travel companies, airlines and ferry companies who may have been taxed based on the average rather than marginal cost.

The Revenue has laid down some guidelines on marginal cost. It says it accepts that there is no, or negligible, cost for rail or bus employees on terms which do not displace fare-paying passengers.

There will equally be no tax on goods sold at a discount at least at the wholesale price; teachers paying at least 15 per cent of a school's normal fees; and professional services which do not require additional employees or partners.

Some fixed costs on the private use of assets - such as the road tax for a fitter's van - will no longer be taken into account as part of the assessment of taxable benefit.

On mobile phones, the Revenue states that the cash equivalent of the benefit is £200. It is

reduced to nil if the employee does not use the phone for private use, or makes good the full cost of any private use.

As a result of the House of Lords judgment, it has determined that the employee should not have to pay a proportion of the standing charges of the phone, such as line rental.

Tax practitioners are busy considering the implications of Pepper vs Hart on behalf of their own clients. Ms Leslie Farrar of KPMG Peat Marwick, adds the possibility of the annual subscription rate on corporate credit cards and the insurance premiums on rental vans as among the other benefits which may now be subject to less tax by employees.

The Revenue says that anyone claiming a refund should apply to their local tax office, and will be able to process claims more quickly if taxpayers bring their national insurance number and details of the years in which they paid tax on in-house benefits.

Those expecting this new taxing regime on benefits to remain unchanged in the future should not be too optimistic. The Revenue has a habit of influencing ministers to change the law when it is defeated in court.

Home reposessions fall from 1991 peak

REPOSSESSIONS fell from their 1991 peak of 75,540 to 68,540 at the end of last year, according to figures released by the Council of Mortgage Lenders this week. But the 9 per cent drop was accompanied by a sharp rise in the number of those with mortgage arrears of at least six months.

At the end of last year, more than 350,000 households were six months behind in their mortgage payments, an increase of 28 per cent on the 1991 total of 275,350.

Home-owners who were between six to 12 months behind increased to 205,010 at the end of 1992 from 183,610 the previous year, while borrowers more than a year in arrears rose from 91,740 to 147,040.

Mark Boleat, director-general of the CML, gave two main reasons for the rise. When a property is repossessed, those with mortgage arrears fall out of the statistics. And since lenders increasingly were accepting lower monthly payments rather than repossessing, the arrears figures had increased.

Boleat added that lower interest rates inflate the figures because of a "statistical quirk." Figures for monthly

arrears are calculated by dividing the total outstanding by the monthly payments. When interest rates fall, so do the new monthly payments. The number of months of arrears for those falling behind with their payments then increases automatically.

Shelter, the charity for the homeless, said that it did not agree with this interpretation. Director Sheila McKechie said: "The problem of mortgage debt is not diminishing, it is just shifting from repossessions to long-term arrears. The crisis has been postponed, not solved."

Shelter is calling for a mortgage benefit scheme similar to low-income housing benefit to those who rent.

Jim Murgatroyd of Halifax, the largest lender, said it was "illogical and unfair" that those who owned homes should not be in the same position as those who rent.

In the case of a joint mortgage, keeping up payments was not so much of a difficulty if both parties became unemployed because they would be entitled to social security. But if one was made redundant or had a loss of income, it was more difficult for them to make regular payments.

The launch of schemes designed to contain the total number of repossessions has had a limited effect compared with a policy of "forbearance" by lenders. Boleat estimates that only 1,000 homes have been saved as a result of mortgage to rent schemes. But 10,000 households have been saved from repossession because of the government's decision to pay the mortgage interest element of income support directly to lenders.

While more than 60 per cent of repossessed households had a second mortgage, the CML said, the second lender had been responsible for repossession in only 1,000 cases. But the figures show that those with greater debts found it harder to stave off repossession than others. Halifax said that situation was changing.

Those falling behind with mortgage payments now were more likely to be doing so because of loss of income rather than multiple debts. CML said that lenders would not increase repossessions once the market improved.

Scheherazade Daneshkhu

A tax cold-shoulder

PERSONAL pensions holders face a less friendly tax environment from April 6. But just how much less friendly depends on how old you are, how much you earn, and whether you are male or female.

From April, the rebate on National Insurance contributions for those who contract out of the state earnings related pension scheme (SERPS) is to be 4.8 per cent of earnings between the lower and upper earnings limits, down from 5.8 per cent currently available. Moreover, the two per cent additional rebate is to be eliminated and replaced by a one per cent tax rebate only for personal pension holders aged 30 and over.

The government has now decided that members of so-called contracted out money purchase schemes, some of which are organised by employers, shall not be eligible for the one per cent additional rebate.

The effect of the changes means that those who have contracted out of personal pensions will now find it advantageous to opt back in even earlier than had been planned. And for

some young people on low salaries, contracting out is also much less attractive.

The difficulty is that there are wide differences of view over when it is worthwhile to opt back into SERPS. For instance, Legal and General says that those who already have personal pensions can still obtain tax advantages up to the ages of 45 and 40 respectively because they have already paid the up-front costs associated with them. However, Clay and Partners, consulting actuaries, puts the ages at 50 for men and 42 for women.

The Department of Social Security became concerned that individuals making personal pension provision should be properly informed about the tax changes. It asked the self-regulatory bodies which oversee those who sell personal pensions to make sure clients were advised properly. Last week, Lauro, the self-regulatory body for the life industry, became the first SRO to issue guidance for agents.

Norma Cohen

Directors' transactions

THE TREND of director selling, seen since the beginning of the year, has not diminished. As the FT-SE 100 index moves ahead, directors are taking profits.

TT Group's relative performance over the short and medium term has been strong. Since the open offer at the beginning of the year at 187p, the industrial group's share price has risen 50 per cent. Sales by John Newman and Nicholas Shipp of 185,000 and 1m respectively still leave them with a sizeable proportion of equity.

Three directors dealing at First Leisure raised more than £3.5m. Final results for the leisure and recreation group were announced the previous week

and were slightly ahead of last year. The sales by Michael Payne and Joseph Bollom almost halved their existing holdings but Lord Delfont, the chairman, still retains a considerable number of shares.

Kevin McDonald, the chairman and managing director of Polypipe, has sold 2m shares at 128p. He still holds more than 33m.

Directors at Caverdale, the motor distributor, have been bucking the trend with sizeable purchases. The company is about to enter its closed period, when directors are not allowed to deal, making this their last buying opportunity for a while.

Angus MacDonald, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Argyll Group	FDra	128,375	499	2*
Bemrose	Pack	40,000	113	1
Berry, Birch & Nobi	InsB	110,000	177	2
Body Shop International	Stor	6,320	12	1*
Cater Allen	Stor	30,670	125	2*
DeWint	Text	158,885	85	2
Diploma	Elne	35,000	137	1
First Leisure	H&L	1,100,000	3,575	3
Land Securities	Prop	10,000	44	1*
Laurel Group	Text	27,000	143	1
LWT Holdings	Med	4,180	13	2
MacFarlane Glenman	Pack	10,000	26	1
Marydown Wine	Brew	35,128	100	1
Microgen	Pack	108,500	228	2*
MNT Computing	Elne	10,000	12	1
Polypipe	BdMa	2,000,000	2,560	1
Portmerion Potts	Misc	4,000	13	1
Salvesen (Christ'n)	BusE	465,558	1,621	1*
Shenks & McEwan	Misc	1,000,000	2,230	1
St Ives	Pack	198,000	630	1
Thames TV	Med	20,000	36	1
Thorne	Elne	22,000	23	1
TT Group	EngG	1,016,000	2,508	2
Usborne	FDra	75,000	16	1
Warburg SG CnVDef	Merc	175,000	499	1
Warburg SG	Merc	16,829	882	1
Wemmoths	Med	1,800	10	1
Windsor	InsB	500,000	75	1
PURCHASES				
ACAL	Elne	20,000	44	1
Blenheim Group	Med	150,000	822	1
Caverdale	Med	7,761,900	366	3
Consol Venture Tr	IntTr	20,000	50	2
Dart	BusE	36,000	20	1
Five Oaks Invest	Prop	150,000	18	4
Holys	Mot	13,800	12	1
Molyneux	Prop	200,000	46	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (P) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 18-22 January 1993.

Source: Omnicast Ltd, Edinburgh

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Difficult to Beat

FINANCE AND THE FAMILY

Investment Trusts

Why Edinburgh has placed its faith in UK shares

HERE ARE few prizes for being second and Edinburgh Investment Trust, the second largest investment trust, sometimes misses out on the attention accorded to its bigger rival, Foreign & Colonial.

Edinburgh is one of the oldest investment trusts and it is named after the city where it was founded in 1889, with a starting capital of £450,000. By the end of 1992, that figure had grown to more than £1bn.

Like Foreign & Colonial, Edinburgh is classed as an international general trust but you would not guess it from a glance at its current spread of assets - 90 per cent in the UK. The trust emphasises that this is not a policy change, but a strategy change. "At the moment the UK market is relatively speaking good value in terms of capital and income growth," says manager Ian Massie.

Edinburgh is quite ready to switch its assets into overseas markets if they appear more attractive.

However, Edinburgh has consistently maintained a high weighting in the UK market than its international rivals. This has not helped its relative performance over the long term. According to figures from the Association of Investment Trust Companies, Edinburgh was last (out of 14 trusts in the sector) in terms of share price performance over 10 years and 11th in terms of net asset value performance.

Other trusts with higher weightings in the US have benefited from both a strong Wall Street and a rising dollar in recent years.

Ian Massie says the UK weighting has enabled the trust to deliver both a higher yield (currently 4.2 per cent) than most of its rivals and higher dividend growth - 16.5 per cent per annum over the past five years, compared with a sector average of 15.4 per cent. And this week's base rate cut and jump in London share prices makes the recent shift

appear well timed.

The UK concentration means that the trust's 10 largest stocks are well known names. They are: British Gas, Lloyds, Grand Met, Shell, BT, Abbey National, NW Water, Smithkline Beecham, BAT, BTR. "Because of the size of the trust, we will tend to be invested in top 200 companies," says Massie.

Outside the UK, the rest of the portfolio divides between the US (5 per cent), Europe (2 per cent), Japan (2 per cent) and the Far East (1 per cent).

Edinburgh is also highly geared. Although its gross assets were over £1.066bn on January 26, its net assets were £960m. At the moment, a major chunk of those borrowings are invested in gilts, which because of the current difference between long term and short term interest rates, gives a boost to Edinburgh's income.

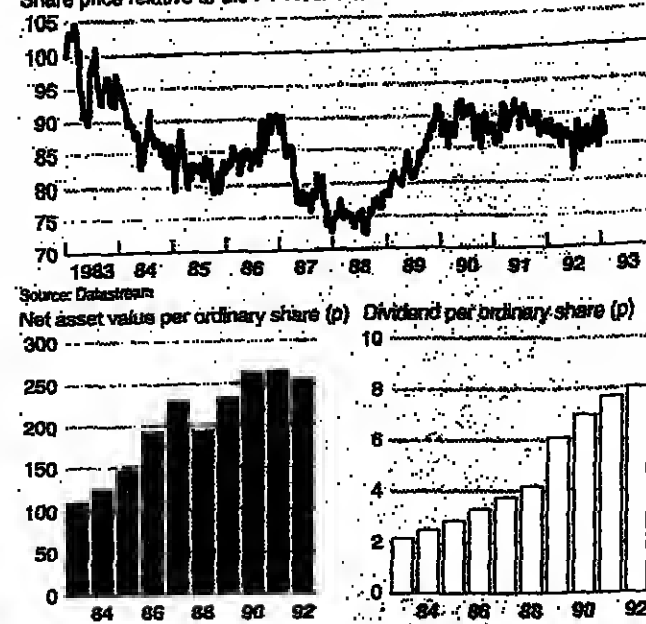
Ian Massie has worked for Dunedin since 1988 and took over as manager of Edinburgh in 1989 from Grant Cochrane who had managed the trust for 20 years. Massie trained as a chartered accountant and is a 36 year old Aberdonian.

Massie stresses the importance of Dunedin's investment team - consisting of Brian Tait, Graham McGeorge and himself - which manages four of the five trusts in the stable. The Edinburgh-based Dunedin was formed in 1984 and now has £3.5bn of assets under management.

An investment group of senior managers decides on Dunedin's asset allocation and

Edinburgh Investment Trust

Share price relative to the FT-All-Share Index



that is reflected across the board.

Massie says the trust follows a value investing strategy and has an in-house database which searches for undervalued stocks. However, he says the criteria are too complex to be explained in the context of an article.

Edinburgh's UK bias means that it has been fully PEPable since January 1 and is the largest trust that can be held in PEP form. It has had some success in attracting private investors,

the number of Edinburgh shareholders rose 20 per cent in 1992 and is 40 per cent up on 1990.

In some ways, Edinburgh now sits rather oddly in the international sector, since its overseas holdings are no larger than a UK income trust like Lowland (featured last week).

But Hamish Buchanan, analyst at County NatWest Wood Mac, says of the switch into the UK: "It takes a bold move to make you outperform" and if it succeeds, Edinburgh may get

some of the attention it has been denied in the past.

■ Key facts. The trust had net assets of £960m and a market capitalisation of £739m, as of January 26. On that day, the net asset value was 257p, a discount of 11.5 per cent. The dividend yield is 4.2 per cent and the annual fee is 0.3 per cent.

■ Board. Ivor Guld, a partner of solicitors Shepherd & Wedderburn, is chairman of Edinburgh and has been since 1974. Other directors are: Grant Cochrane, a former manager, is non-executive director of LASMO; Peter Dunn also a director of Property Security Investment Trust; Sir David Nicholson is chairman of Clydesdale Bank; Sir Robert Smith is chairman of Alliance Trust; Robin Young, a former director of Martin Currie, is also a director of Securities Trust of Scotland. New appointments to the board are Sir Chips Keswick, chairman of Hambros Bank and the Earl of Eglinton & Winton, chairman of Gerard Vivian Grey.

■ Savings scheme and PEP details. The savings scheme has a minimum investment of £30 per month or a lump sum of £250. There is no broker's commission and the only cost is government stamp duty of 0.5 per cent. The PEP plan has the same minimum investments. There is a £30 set-up charge on the PEP and an annual fee of 0.5 per cent. Two free cash withdrawals can be made from a plan each year.

Philip Coggan

Reinvestment warning on trusts

KLEINWORT Benson and Fleming have written to shareholders in two investment trusts warning that they stand to lose everything if they continue to reinvest dividends from the trusts' high-income ordinary shares.

Nearly 3,000 ordinary shareholders in the Kleinwort High Income Trust and 250 in the Fleming International High Income Trust were sent letters before Christmas.

Kleinwort Benson said the practice of reinvesting dividends from high-income ordinary shares would bear fruit only in a rapidly rising market, because the ordinary shares were paid out after the trust's zero dividend preference shares.

In a weak stock market, the high-income

shareholders may not receive their capital back, a danger compounded if investors reinvest their dividends.

Ben Siddons, director of Kleinwort Benson Investment Management, said investors were offered alternatives to the Kleinwort High Income Trust if they wanted to continue to reinvest dividends.

Siddons added: "The last thing we want is this black hole when trusts are wound up with people finding they haven't achieved the hurdle rates necessary and all the money goes to zero dividend preference shareholders. It could damage the reputation of the industry and the integrity of the product."

Fleming said that if the stock market produced consistently high returns, then

reinvesting dividends for total return could pay off. But it was only fair to warn investors about the potential risk of ending up with a zero return when the trust was wound up.

The cases highlight the dangers of investing in split capital investment trusts if investors fail to understand the nature of the shares they choose and the assets which back them.

The Association of Investment Trust Companies (AITC) will try to persuade investment managers of member companies to adopt a new code of practice when launching split capital trusts, entailing more disclosure of the potential risks.

Damian Reece

Making sense of chaos

Bernice Cohen says charts dispel the casino image of share investing

MOST INVESTORS plan their decisions purely on criteria gleaned from financial data relating to a company's performance. They disregard charts as voodoo magic.

In contrast, technical analysts seek guidance on probable future share price movements from market statistics, supplemented by charts where recurring patterns provide buy and sell indicators.

As a dedicated DIMI (Do-It-Myself Investor), planning my portfolio from my own research efforts, I prefer a belt and braces approach. Fundamental and technical analysis should be complementary tools in a fully-rounded investment system.

When asked, "Why bother with charts?" technical analysts often give defensive replies. Charts, they suggest, reveal the human psychology of the struggles between buyers and sellers in a competitive market under the twin stresses of greed and fear. Yet I believe the central rationale for charting stems from the possibility that charts reflect the presence of chaos in financial markets.

Observing the everyday mayhem surrounding most financial markets, the suggestion that they are chaotic makes sense, at least superficially. However, chaos is actually a formal, relatively new science centred on mathematics. If it could be convincingly shown to apply to financial markets, that scientific base would lend respectability to counter the casino image. Intriguingly, most chaotic systems share a group of typical characteristics which are instantly seen to apply to unruly stock markets.

■ They are highly complex systems comprising numerous interacting elements.

■ They are inherently unstable with continuously changing behaviour.

■ It is extremely difficult to predict their future conduct since numerous different outcomes are equally possible.

■ They are intrinsically irregular and prone to trends and cycles.

Glaxo Holdings

Pence

Share price

Scale

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

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800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

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800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

Share price (p)

1,000

900

800

700

600

500

400

300

June 1990

1991

1992

1993

Source: Datastream

20 day moving average

50 day moving average

FINANCE AND THE FAMILY

CLASSIC car enthusiasts are a special breed. That at least, is the conclusion of their insurers who offer a different type of policy for the proud owners of a much-loved Jensen or Alfa Romeo "Spider."

The main attraction of this type of insurance, provided by brokers and many of the big insurance companies, is the much lower annual premiums. Martin Cooke of Bain Clarkson Insurance brokers (0384-455011), estimates that someone owning a Ferrari or Bentley, requiring annual insurance premiums of £3,000-£4,000 under a standard policy, would find them reduced to £800-£900 under classic car insurance.

To enjoy the lower premiums, classic car owners are expected to cherish their car and not use it for mundane purposes, such as transport. The average owner of a collector's car will keep it in a garage, look after it carefully and will not use it for everyday driving," said Mike Chamberlin of John Scott and partners (061-977-9131), one of the first brokers to specialise in classic and vintage cars. These conditions mean reduced risk, which is why the classic car insurance market can insure expensive cars relatively cheaply.

Classic car insurance differs in two main ways from standard policies which use bandings for cars depending on model, engine size and the age of the driver.

Instead, the agreed value of the car and the amount of driving the car is expected to do are the basis for the insurance.

Norwich Union's Collectors Car policy (0603-522200), will cover the policyholder against accident, damage and total loss on an agreed value basis. "Premiums are worked out on the value of the car rather than its group rating," said James Duffell of Norwich Union. "Since a classic 1950s car, saloon or sports car are all expected to be driven in much the same way, only the value of the car is relevant."

An Alvis, a Bristol or an Aston Martin would all fall into the same insurance bracket if it was agreed their value was the same.

Settling on a value can be difficult in a market which has not found itself immune to the problems of recession. Those who bought at the top of the market in 1988, when prices for

Cheap cover for classics in the garage

Scheherazade Daneshkhu looks at insurance for classic cars



Jaguar E-type V12 convertible

some classics had quadrupled in a few years, found that the value of their cars fell by as much as half. For this reason, the value of the car may need to be reassessed at intervals.

Since the car is not expected to be used daily, premiums are based on maximum mileage - which is not usually a consideration under a standard policy. The most common mileage band is for a maximum of 3,000 miles a year, although some policies allow up to 4,500 miles or even 6,000 miles. Unlimited mileage policies may be available but the cost of premiums will be much higher. Bain Clarkson, for example, will offer standard rates but with

the insurance being on an agreed value basis.

The car does not have to be expensive to qualify for classic car insurance - Morris Minors and Sunbeam Alpines are common risks - but it must be old. "The car must be at least 20 years old, though we do make exceptions, for example, for Morgans," said Peter Fry of KGM Motor Policies (061-530-7351), a Lloyd's syndicate which is another veteran of the classic car market.

Bain Clarkson will also insure younger cars but for higher premiums. The annual premiums for a 1980 Mercedes 450 SL, with an agreed value of £9,000 will, for example, be £300

for a 3,000 mile maximum and £450 for a maximum of 6,000 miles a year.

Young drivers are not welcome. Most classic car insurers will base premiums on a minimum of 30 years for the driver. Cover may be available for those who are younger for higher premiums.

Annual premiums for a classic car worth £5,000, such as a Morris 1000, insured for a maximum mileage of 3,000, are in the region of £110-£115 under classic car insurance. KGM estimates that for the same mileage, actual premiums for a fully comprehensive policy on a £10,000 car (such as a 1970 E-type Jaguar or a T20) would be £170 and on a £20,000 car (a Mercedes 190 SL, for example) £253.

The market has been affected by the rise in crime which has led to steeply increased premiums in the motor insurance industry as a whole. Bain Clarkson's Cooke says that for the first time in 20 years, classic car insurers have been obliged to raise premiums by an average of 25 per cent this year because of increased theft. In addition, insurers are beginning to insist on lock-up garages for cars and are stipulating that the policyholder should have another car for normal daily driving, with the classic car reserved only for "social, domestic and pleasure purposes."

Fry's KGM says that it tries to avoid "off the road" cover, when cheaper insurance is provided for the car which is not being driven. Norwich Union will still provide off the road cover, which includes accidental damage, loss or damage by fire or theft, particularly for those who are doing restoration work to the car.

What if the worst happens and your cherished Bugatti has a crash and is deemed a write-off? "Sometimes a car has been passed on from father to son through generations and the owner will want to retain and restore the car whatever," says Chamberlin. The best classic car insurance policies should have a salvage clause allowing the owner to retain the salvage after an accident. John Scott has arrangements with two insurers: under its Lloyd's scheme, the settlement would be limited to 80 per cent of the insured value while a scheme underwritten by General Accident will allow the owner to have the car repaired and reimbursed up to the insured value.

Tanks but no thanks

THE LEASE to my flat requires me to contribute to the costs incurred by the landlord in "all provision of services referred to in the second schedule." The second schedule refers to:

■ The maintenance of the main structure and, in particular, the roof, main walls and timber foundations and main drains, gutters and rain-water pipes of the building, including all party walls and structures, sewers or drains used in common.

■ The maintenance of the gas and water pipes, drains, sewers electric cables and wires and apparatus, in and under the building, and used in common.

The water tanks on the roof were replaced recently and I am being asked to contribute to the cost. In 1987, I provided my flat with its own independent water tanks. Since then, I have not used water from the tanks on the roof. Am I required to pay my contribution or can I decline to do so because of the particular wording of the clause above?

■ You are still required to

make the contribution for which the lease provides, even if you have opted out of using the common tanks. The position is the same as if the owner of a flat on the first floor decided to use the stairs only and then sought not to contribute to lift maintenance.

The position would be different if there were only two flats in the building.

Write-off or profit?

IF A BANK agrees to accept less than the total amount of an overdraft or loan due to it by a partnership, must the amount written off by the bank be added to the partnership profits for income tax purposes?

■ Only to the extent that the amount written off represents bank charges, interest etc for which tax relief has been allowed already.

Such items are caught by section 94 of the Income and Corporation Taxes Act 1988

under the heading of "Debts deducted and subsequently released." It states:

"Where in computing for tax purposes the profits or gains of a trade, profession or vocation, a deduction has been allowed for any debt incurred for the purposes of the trade, profession or vocation, then, if the whole or any part of the debt is thereafter released, the amount released shall be treated as a receipt of the trade, profession or vocation arising in the period in which the release is effected."

Tax relief on a farm

AN ELDERLY spinster owns and farms 250 acres of land in Scotland. Her nearest relatives are two nieces, both in their twenties. Neither would be able to continue the business but they would stand to inherit any money on the death of their aunt. The farm would be sold.

Would the money realised be

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

eligible for inheritance tax relief at 100 per cent and would capital gains tax relief be passed to the nieces, or do the concessionary benefit only sons and daughters of a farmer?

■ For IHT purposes, and provided certain conditions were met, 100 per cent agricultural relief would be available on the agricultural property on the death of an aunt where she both owned and farmed the property.

The conditions are that the property must have been either:

(a) occupied by the aunt for the purposes of agriculture throughout the period of two years ending with the date of death; or

(b) owned by the aunt for a period of seven years ending with the date of her death, and occupied throughout that period by her or another person for the purposes of agriculture.

The property would not be subject to CGT on death and would, in fact, be revalued for CGT purposes so that the base value of the property would be revised to the value as at the date of death.

Keeping a fair rent

I HAVE HAD a protected tenancy with a private sector landlord for the past eight years. The property now needs a substantial amount of money spent on it, including a modern heating system, to which the landlord is unwilling to contribute. How can I ensure that any improvements I make to the fabric of the property do not result in a higher "fair rent" when the next inspection is made?

■ You should write to the rent officer asking him to note on the file that you are effecting improvements, as the landlord refuses to do them, and give a brief description of what they are and the cost.

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MINDING YOUR OWN BUSINESS

Two companies struggling from the Belfast ruins

THE FARSET Enterprise business park in West Belfast backs off against an 18ft high fence separating two communities: protestant and catholic. Its front gate gives on to the Springfield Road, a notorious killing ground for the terrorists on both sides.

Eight years ago the site was a piece of open ground: the houses that once stood there bombed to ruins. It became a community centre, and subsequently a business park, as a result of government investment aimed at healing the wounds of sectarian division.

Farset is one of 26 business parks in Belfast, but the only one established where the two communities meet. It is something of a test case for small businesses struggling to survive against the background of recession and a relentless campaign of political violence.

Since the park opened three and half years ago, three small businesses have failed. But among the dozen that have survived, two in particular have shown what can be achieved when all the odds seemed stacked against them.

Northern Ireland Fireworks has managed to carve a business niche with full government approval even though under Northern Ireland law the sale of fireworks manufactured locally is banned.

It is run by Danny Davison, a 40-year-old former lorry driver who worked part-time, gathering experience of fireworks in companies in the UK and the US. In November 1990, Davison approached the Local Enterprise Development Unit (LEDU) (the government-backed small business agency) for a £5,000 grant, and the Farset Business Park, which draws some of its funds from the International Fund for

Ireland, for a further £5,000 low-interest loan (6 per cent repayable over two years) to set himself up as Northern Ireland's only local "supplier of display kits and operator of fire shows."

A further £2,000 came from Davison's own savings and that of his partner.

Davison imports his fireworks from England and mainland Europe under licence and then arranges their display with the approval of the security forces and the Northern Ireland Office.

Jimmy Burns visits a business park on the dividing line between catholic and protestant

In the first year of trading in 1990/91 turnover was £24,000, just below the target of £35,000. In 1991/92 the company's order book expanded with turnover to £32,000, above the year's target of £30,000. A business that began with two full time staff, and two part-time staff, now employs 19.

Davison says the company is successful because "What we try and give the public is something that is spectacular, but colourful and peaceful at the same time. There is no danger and the whole family can enjoy it. It makes a change from bombs."

He works from a ramshackle two floor hangar, filled with bits of cardboard, and rough sketched layouts. Here Davison tailors his display according to the budget of the customer, working out the position of the fireworks, the sequence of their explosions, on frames which range in

height from 50ft to 3,000ft.

The company arranges small displays for children's parties and club events, but its main income is generated by big public displays arranged for borough council festivals. Its customers have included staunchly loyalist organisations in the Shankill Road, as well as catholic charity events in southern Ireland.

Among its more spectacular projects was the organisation of the fireworks display for Belfast's Christmas celebrations at the end of 1991.

Politics is never far from this potentially explosive business. "I know that if I moved this business to the Shankill some of the boys who work with me wouldn't come," says Davison.

And yet management of the business park has a policy of picking its tenants according to strict financial criteria.

Charlotte McFarlane, the business park's administrator, says: "We don't ask people what religion they belong to here. A business is a business or it's not."

It is a philosophy which Davison shares. "We straddle both sides of the community here," he says.

Bob Jenkins's flat Midlands accent is scarcely audible above the din of his workshop, but there is no doubting his determination to make his presence felt.

"I've got the distinction of being the only Englishman who stayed on. I like the place," says Jenkins.

A decade ago Jenkins worked as a quality engineer for the De Lorean sports car plant in Belfast. When the plant closed in 1983, some of the workers returned to England from where they had been recruited initially.

Jenkins married a local woman and took a job with



A business with sparkle: Danny Davison of Northern Ireland Fireworks which now employs 19

United Technologies in Derry. He subsequently sought employment in England, but not for long. In the mid-1980s the couple returned to Northern Ireland for an event that was to change the pattern of their lives: the birth of their child Laura Lee.

When a spinal tumour left the child paraplegic Jenkins decided to put all his efforts into using his skills to develop orthopedic equipment for the physically handicapped.

The idea for the company with his daughter's name arose

out of Jenkins' links with Belfast's specialist Musgrave Park Hospital which adapted a wheelchair for Laura Lee.

Jenkins recalls: "At the time I was out of a job. One of the consultant orthopedic surgeons who knew I'd been an engineer said: 'There are various products the hospital is developing, why not start up your own business and see if you can help out?'"

Jenkins in 1989 was among the first small business men to enter Farset. He obtained a

capital grant of £5,100 covering 50 per cent of the cost of new plant and machinery and an employment related grant of £2,300 from LEDU. He also got a £3,100 grant from the Government's Making Belfast Work initiative specifically targeted at businesses in deprived areas of the city.

His company's turnover was £10,000 in 1990/91, below the £12,000 target. In 1991/92 turnover was £17,000 below a target of £22,000.

In his workshop Jenkins has been developing a range of products for disabled people ranging from special potty chairs and toilet training aids for children to suspended arm support systems for muscular dystrophy patients.

But Jenkins admits that struggling to stay financially afloat in the middle of the recession has not been easy. He is about to go into partnership with another larger company at Farset which does structural steel and ornamental cast iron work.

"I hope to have the cash flow necessary to research and develop new products over a longer period," says Jenkins.

"The best small businesses can hope for in this society is to survive. I may not have grown much, but I'm still here. That gives me a sense of achievement."

■ Northern Ireland Fireworks and Laura Lee Medicals are based at Farset Enterprise Park, 638 Springfield Road, Belfast. Telephone: Belfast 242373

As They Say In Europe Celebrating with an old mistress

THE FRENCH press has been celebrating the 30th anniversary of friendship with Germany. It has done so in the manner that a mistress might celebrate the 30th anniversary of an affair in which the man has not done the decent thing.

Nowadays, Germany spends even less time with its lover, devoting more attention to its poverty stricken cousins. As a result, perhaps, it willingly pays billions to maintain that jewel of the relationship, the French franc, in pristine condition - just to keep the old girl quiet.

Le Monde likes this but is critical of the way Germany organises its domestic affairs: "... the great neighbour beyond the Rhine is even renouncing financial and budgetary balance which is foreseen in the Maastricht Treaty. Germany is no longer worthy of the model it created."

The rest of the press clings to the exchange rate as the symbol of the Franco-German motor behind the construction of Europe, even though it is driving France into the ground. *Le Figaro* remarked, wistfully, that the balance of forces since the creation of the partnership had been reversed, "which should not make France forget Germany has need of her."

This is not wholly appreciated in Germany. The publicity given to the anniversary was far less there than west of the Rhine. And signs of hostility are growing. A refrain of the *Frankfurter Allgemeine Zeitung* these days is that France is not pulling its weight against Serbia. It publicises Bosnian politicians who say that Paris (and London) supports Belgrade. This week the chief fulminator of that powerful paper, Johann Georg Reissmüller returned from his long hagiographic hibernation in Croatia, to accuse France, along with Serbia, of having disrupted the twentieth century.

"The successful murder attack against the heir to the Austrian throne was the prelude to the first world war in which France and Serbia stood side by side."

Surely there was a bit more to the 1914-18 affair than that. The account continued with how, in the inter-war years, Serbia tried to dominate the south Slav kingdom. France promoted it as a counterweight to Italy, actively promoting expansionism. In the second world war, "Tito fought against Hitler and Mussolini because he wanted a Bolshevik Yugoslavia." The subsequent "Tito-state" rivalled the Soviet Union in brutality. And when President Mitterrand fetched up in Sarajevo last June it was certainly not to stop the Serbs.

As an account of the past 80 years, Reissmüller's story leaves a few gaps - such as the Austrian ultimatum to Serbia in 1914 which was designed to start a war. Then there was the creation by Ger-

many of the Croatian fascist state in 1941. And, of course, Tito was not a Serb - he was half Croat and half Slovene - and the Serbs knew it.

It is one thing to argue that the men who run Serbia today are horrible and mad. It is another to offer passionate support to one side or the other in this affair. In the week where the Croats broke a ceasefire, killing two French UN soldiers in the process, the German papers said that was all they could do in the circumstances. Perhaps someone in western Europe could face up to this question: do the leading members of the Community have different foreign policy interests or not?

The Germans, it seems, have those of 1914, at least when seen from the perspective of Reissmüller. If they have not changed, have those of France and Britain? And, the most vital issue of all, what will Russia do if Germany sets out to teach Serbia a lesson?

All this occurs in the week when the US appears to have

Do you remember Sarajevo? James Morgan explains a lovers' tiff

accepted that Germany and Japan should become permanent members of the Security Council. Why not, if Germany, at least, is rediscovering the notion of the national interest? The Security Council has been getting rather dull.

Britain has the fewest problems in dealing with this evolving situation. The French papers rightly believe that Britain has returned to a kind of isolationism and ask where this leaves France and its friendship with Germany.

Writing in *La Tribune Desfossés*, Philippe Labarde says: "Who has profited most from this strange marriage? According to the polls in each country it is always the other."

He adds, hopefully, that the essence is that France and Germany believe in the same model of society. The two draw closer together to pass through hard tests. "This is in order to forget that less than 50 years ago it seemed to them both to be just as evident that they had to make war."

It is a tedious cliché to remark on the nightmarish coincidence that it should be Sarajevo that is at the centre of so many anxieties. But the parallels with 1914 run deeper: the city could again symbolise the real differences that exist between France and Germany. Surely nobody in Germany can want to pick a fight over that all over again...

■ James Morgan is economics correspondent of the BBC World Service.

What a laugh!

From Page 1

hile of comedians, notably Julian Clary, have managed the transitions successfully but Cresswell is suspicious of writers. "They become prima donnas. They all want to get into films." Cresswell is happy packaging programmes of stand-ups to tour the country, sponsored by beer companies such as Holsten. The brewers have been quick to appreciate the link between the uninhibited, anarchic atmosphere in a comedy club and selling lots of drink.

While alternative comedy now is mainstream, it still looks to the clubs for constant revitalisation. Little of the wealth has trickled down there; they remain, in the words of Kim Kinney, "the factory floor." Kinney manages the Comedy Store, an underground shoe box in Soho which crams in 240 people and, until recently, was unwilling to expand. The Comedy Store gave a first chance to Elton, Mayall, French and Saunders, Alexei Sayle, and more. Now, perhaps jolted by the success of Jools Holland - which, last month, opened another outlet in a former rock club, Dingwalls, at north London's Camden Lock - it is moving to larger premises nearby.

Jongleurs was spurred by events in the US, where new comedy is a big business: two cable channels concentrate on comedy and *Catch a Falling*

Star has established 20 comedy clubs around the country. Like the Comedy Store, Jongleurs was content for years to pack its club in Battersea with yuppies. Now, it aspires to expand into the regions. As proof that new comedy is supreme, it is keen to book the older generation of comedians - the Ronnie Corbitts, the Dave Allens and the Billy Connollys - if they are prepared to perform for a percentage of the door money. But the Comedy

'The hysterical crowd saves Abba and dooms Buck's Fizz'

Store and Jongleurs are not the only important venues in London: there is also the East Dulwich Tavern which now also runs the 350-seat Civic, created from a moribund community centre in Peckham.

Many are suspicious of the changes. To them, comedy is being used as a weapon to speed the revolution, and as a way of persuading people to laugh their way through the recession. What began as anarchy and an anti-establishment tirade - the riposte of radical youth to the seeming inevitability of Thatcher's Britain - has been consumed by show business. Some keep the faith,

though. Marxist comedian Jeremy Hardy prefers to perform at community arts centres: for him, the clubs have become a night out for hen parties and celebratory young professionals.

Much of the humour is indeed escapist and whimsical. Here is comedian Hattie Hayridge overcoming her fear of air travel: "There is a one in a 100m chance of being on a plane with a bomb on board. It's one in 400m against being on a plane with two bombs on board. So, I always carry one with me to improve the odds." Even more of it is scatological: Arthur Smith has built a good living on a "brat routine" which begins: "Whatever happened to white dog shit?" But the insatiable demand for new talent, for variety, still breaks through.

Hill is likely to become a star because he is safe, charming and funny. In the clubs, he will leave behind acts like Woody Bob Muddy, who recreates a Roman circus by whipping up the audience to a frenzy as it shouts out which old albums should go to "Record Heaven" and which should be nailed to a board and smashed to pieces by his silver hammer. As the hysterical crowd saves Abba and dooms Buck's Fizz, you admire the skill with which alternative comedy has enabled eccentrics to share their secret worlds and the British to shake off their inhibitions.

MINDING YOUR OWN BUSINESS

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PROPERTY

Radon — the natural gas that can kill in the home

Five counties have particular problems but there are plenty of ways to head off the potential dangers. Gerald Cadogan explains how

TESTS for a natural radioactive gas called radon are being made at 24 houses in my Northamptonshire village and 700 in the surrounding district. Radon increases the chances of lung cancer, but it was almost unknown to most people until quite recently. Is it really a danger? Will it affect the value of your house? What can you do about it?

For most of the country, the risk is negligible. You are in slightly more danger if you live in certain areas of Cornwall, Devon, Somerset, Northamptonshire and Derbyshire. Yet, even in these "hot" spots, the level of radon can vary greatly between one house and its neighbour. And in "safe" parts of the country, the National Radiological Protection Board (NRPB) is surprised constantly to find isolated cases of a high radon count.

Radon is emitted by the trace levels of uranium that occur in soil and rocks (and bricks and concrete made from them). Fresh air disperses it, but it can accumulate inside a building or down a mine (research into its dangers began with the case histories of uranium miners and scientists in the early days of nuclear physics). When breathed in, it deposits alpha particles in the lungs.

Dr Robert Stoddart, senior lecturer in pathology at Manchester university, calls these "seriously radioactive" — an unpleasant form of radiation. It is, however, only one of many carcinogens. As Stoddart points out: "We all live in a soup of them, to which we are variably susceptible."

Many things can trigger a cancer — even bracken — and it is hard to point the finger only at radon. The factors that matter are the local geology; how your house is built; and your own body, which might — or might not — prove you against any amount of radon radiation.

If you live in or near an affected area, it is sensible to check the level in your house. Ask the NRPB to send you plastic monitors, or your district council to arrange this for you. There is no charge. But remember that radon does harm only through exposure over many

years. A holiday in Cornwall is not going to give you cancer.

Radon enters houses through cracks in floors and walls. The uranium-bearing granite country of Devon and Cornwall has been known for some time as a hot spot, as is similar terrain in New Hampshire and Sweden. But not all granite is dangerous.

Cumbria is safe; and even in Cornwall, where about a fifth of the houses are above what the NRPB calls the "action level" — when something must be done to reduce the concentration — granite walls

and fireplaces do not emit much radon. Now, though, the list of affected areas has expanded to Somerset, Derbyshire and Northamptonshire, with their limestone and sandstone. But Somerset seems rather better off than the other two counties where more than 10 per cent of houses are above the action level in west Derbyshire, and around Northampton and Kettering. In neighbouring north Oxfordshire, NRPB tests have confirmed a local council's soil gas survey which suggested a potential radon problem in some houses.

The board estimates that around 100,000 houses in the UK are above the action level, although the problem decreases markedly as you go east. And, luckily, the great concentrations are not in radon zones, although London has its own geological problem of shrinking clay and subsidence. In Wales, there is a slight concentration in Powys; and, in Scotland, at the north-east tip and on Deeside. Perhaps the Queen will put in monitors at Balmoral.

The NRPB is making a detailed survey using postcodes to isolate houses in groups of 15 or fewer. It sends two monitors, to be placed in the main living room and main bedroom for three months. On their return, the board analyses the readings, enters them into its data base and informs you. The whole process

takes about five months. District councils also are eager to know your readings so they can prepare their own detailed local radon maps (they promise to keep the results as confidential as if they were about HIV).

Double glazing and insulation have increased radon levels because they stop the gas dispersing. And it accumulates more in winter, when windows are shut. Open fires, and open windows in upstairs bedrooms (but not downstairs), increase the amount as they pull air upwards through the house. Draughty old

ing gas fires that look as if they are burning coal. At the end of all this, repeat the monitor tests to check how successful you have been.

Make sure your builder knows about radon. Ask your local authority about (means-tested) house renovation grants, or discretionary repair grants in Scotland; the environmental health officer should be helpful.

If you are building in an affected area, the special building regulations for Devon and Cornwall are extended to the other three hot counties from February 1. In the most-affected part of Northamptonshire, this will mean putting a membrane in the floor, joining it to the wall and arranging space for a sump and fan. After a year of living in the new house, it can be tested to see if they are needed.

If you are buying in a radon zone, ask the seller for the results of any tests. But do not let radon deter you from the five hot counties. They are marvellous places in which to live. And, as you know the risks, they should not affect the price. The resaper is waiting to scythe us all, anywhere and any time.

The Householder's Guide to Radon, from the Department of the Environment, is helpful. Enquiries to Room A518, Ramsey House, 43 Marsham Street, London SW1P 3PY.

The Building Research Establishment, Garston, Watford WD2 7JR, publishes Radon: Guidance on Protective Measures for New Dwellings, or 28. It includes lists of parishes and maps (obtainable from the BRE Bookshop — 0923-664 444, The BRE also has a Radon hot-line (0923-664 707).

The Radon Survey of the NRPB is at Chilton, Didcot, Oxfordshire OX11 0RQ.

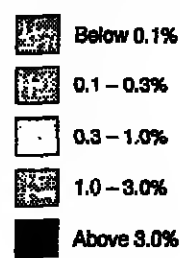
'Radon causes harm only after years of exposure. A holiday in Cornwall won't hurt'

Listed building legislation

MY ARTICLE on January 9 mistakenly reported that Simmons & Simmons and Jackson-Stops says in its Guide to the Legislation Relating to Listed Buildings that the law requires such buildings to be maintained.

Owners may, however, be served repair notices or a compulsory purchase order if the building is becoming derelict. After a fire, there is no explicit obligation to rebuild, but restoration work would usually require consent.

Proportion of homes above the action level



- 1 Through cracks in solid floors
- 2 Through construction joints
- 3 Through cracks in walls below ground level
- 4 Through gaps in suspended floors
- 5 Through cracks in walls
- 6 Through gaps around service pipes
- 7 Through cavities in walls

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Weekend FT

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PERSPECTIVES

Of rice and men: the thoughts of a mobster

IT SEEMED, in a well-worn phrase, to be a good idea at the time. I was making a television programme on Japan for a series on business and economics. The *yakuza*, Japan's notorious mobsters who sport neck-to-ankle tattoos, appeared to be cropping up in one political or financial scandal after another. Clearly, meeting a mobster was essential to a proper understanding of the financial crash that has rocked the country.

Misgivings set in as we approached the Kyoto headquarters of the man who is ranked by the police as Japan's fourth-biggest gangland boss. Our charming and

especially since our Japanese colleague - now sweating profusely - was urging us to behave with all possible decorum. We prodded our noodles, wondering how the *yakuza*, who regard themselves as the guardians of traditional Japanese values, dealt with bad table manners.

The next surprise came with the boss himself. A splendid pair of sideburns apart, there was little to distinguish him, in his spacious office, from the chairman of any large Japanese corporation. Perhaps the oversized statue of Napoleon beside his desk was a bit of a giveaway but, in most other respects, Takayama had absolutely nothing

John Plender is given a background briefing on Japan from an unlikely source

super-efficient Japanese fixer was becoming more nervous by the minute. Matters did not improve when we were whisked into a building by a swaggering character, in a brown suit who sported a truncated little finger - a penalty the *yakuza* impose on themselves when they commit acts of disloyalty. Young thugs in blue uniforms watched as we logged in our equipment.

Then came the first surprise - or perhaps I should say test. The boss, Tokutaro Takayama, was not ready to be filmed. As we waited, two of the men in blue appeared with a substantial meal for us. We had finished lunch only half an hour before. No problem here for a camera crew, since the first rule of their trade is to seize every chance to eat because they never know when the next will come.

For less robust seekers after truth such as reporters, producers and directors, it was another matter,

In common with Al Capone. For a start, he had written a book, full of warnings about the condition of modern Japan.

Nearer to the Mafia, maybe? Absolutely and emphatically not, he insisted: the *yakuza*, unlike the Mafia, were patriotic and generally supportive of government. But with reservations. To my amazement, this gangland boss proceeded to harangue me about the awfulness of the politicians' failure to liberalise the rice market.

The basis of Takayama's objection was that the politicians were making life needlessly expensive for the Japanese people. Perhaps, ideologically speaking, that sat neatly with the *yakuza*'s romanticised view of themselves as latter-day Robin Hoods (no pun in Japanese). It was certainly sound economics, showing a firm grasp of the law of comparative advantage.

If Takayama sounded like a free



market businessman, it was because this was - in part, at least - how he saw himself. His smart office block turned out to contain a boardroom, a lecture theatre, gym and kitchen, plus a dormitory for the blue-clad apprentices. There

were some tacky features: a giant stuffed polar bear in a glass case outside the boss's office, and a battery of electronic surveillance equipment to monitor what was going on outside. But, in most other respects, Aizu Kotetsu-kai, as the

outfit was called, had the trappings of a mini-Hitachi or Toyota. The reason the *yakuza* are able to maintain such offices openly is that the Japanese, in their bizarrely pragmatic way, have privatised much of the law and order process.

Since the days of the Tokugawa Shogunate, the feudal period which ended with the Meiji restoration of 1868, gangsters have helped the police keep violence off the streets. In the post-war period, these outsiders were used by businessmen to

intimidate unions and collect debts. Politicians used them as bodyguards and sought their organisation's votes and money.

The free market ideology does not, however, extend fully to the *yakuza*'s own activities. The trade-off with the police was that the big crime syndicates would keep non-syndicated crime under control. In other words, it operated in much the same heavily regulated way as Japan's industrial cartels. Only in the bubble economy of the late 1980s did things get out of hand as the gangs started to rig share markets, deal in property and shoot each other in the streets.

In spite of their unwholesome activities in extortion, gambling and prostitution, the *yakuza* were tolerated as part of the system so long as the system itself appeared to deliver the goods. And that was Takayama's problem. Since the bursting of the Japanese bubble, people are disillusioned with a system that has wiped out much of their savings while the big shots - including politicians, big businessmen and *yakuza* - have enjoyed considerable protection from loss.

The public also has been enraged to discover that unelected *yakuza* may have played a key role in making Noboru Takeshita prime minister in 1987; he was forced to resign later over a share scandal. So the politicians have been forced to clamp down on gangland with the "Law to Prevent Unjust Action of Violent Organisations," which took effect last March.

The *yakuza*, says Takayama, have been made the scapegoats for the politicians' misdeeds. "They've been totally disrespectful of our rights," he complained. And he has been subjected to what, in Japan, is the most unspeakable form of ostracism: he is no longer allowed to be a member of a golf club.

FOOD AND DRINK

Grand restaurant with a past

TO THE unsuspecting diner, Horchers could be just about any grand Madrid restaurant. Closer examination, however, might give some indication of its long and eventful past: the Meissen figurine on the table representing a Prussian dragoon from Frederick the Great's time; some German prints on the walls; and, better still, the menu with its smattering of dishes of German origin. There is lots of game, but game is game. What about majas herrings in cream with apples? Or wiener schnitzel? Or baunkuchen?

Horchers' story begins in 1935, not in Madrid but in the west end of Berlin. The original premises were at 21 Luther (now Martin Luther) Strasse. At first, Gustav Horcher's wine restaurant was overshadowed by the great hotels and Borchardt in the Französische Strasse.

It was not until 1933 that it made its first appearance in the English-language edition of Baedeker's famous guide. It failed to merit a star.

All this had changed, though, by the time the next German edition appeared in 1936. "Belongs to the top category," enthused Baedeker. "Excellent." And a star was awarded.

Horchers also had a protector. Indeed,

from the first years of the movement in Berlin, Horchers might be said to have marched in step with the Nazi party.

Four frustrating years after the failure of the Munich putsch in 1923, Hermann Goering arrived in Berlin at the end of 1927. Money was short until the former air ace was elected to the Reichstag in the spring of the following year. When Hitler agreed to his candidature, it was to Horchers that Goering went to celebrate.

By July 1934, Goering was already Prussian minister-president and the second most powerful man in Germany. That month, he held a second, and far more sinister, celebration in the restaurant in the Luther Strasse.

It was there that he threw a dinner to thank his managers for their help in the bloody Night of the Long Knives when a 100 or so political opponents were hatched. Crab was the order of the day.

Goering's continued protection must have been valued highly by Gustav Horcher and his son, Otto. Once the war had started, the Luftwaffe chief had

Horchers' staff exempted from military service and tripled the petrol allowance for restaurant vehicles.

When Otto Horcher discovered a hoard of 70,000 bottles of port, Goering ensured that the bulk of the wine was acquired for the Luftwaffe - but only after creaming off 10,000 bottles for Horchers and a few

Giles MacDonogh traces the eventful history of Horchers, now in Madrid but once of Berlin

cases for himself.

Horchers' rise under the Nazis was to have a European dimension, and one which became linked closely to the subjugation of mainland Europe by the soldiers of the Wehrmacht. As journalist Hans Georg von Staudnitz wrote in the autumn of 1943: "As the favourite chef of Hermann Goering, Horcher has risen to become the foremost restaurateur of the Third Reich..."

With Germany occupying half of Europe, Horcher's sphere of activity broadened. He took over Die Drei Husaren in Vienna from Count Paly Palffy. Then he moved to Maxim's in Paris and opened branches in Oslo and Belgrade. Before the second world war, he held the concession for the German restaurant in London's Mayfair.

The intimate, leather-hung restaurant in the Luther Strasse received its share of famous guests. In 1937, Nazi chiefs Heinrich Himmler and Joachim von Ribbentrop entertained the Duke of Windsor there. It was a regular favourite of the chief of German military intelligence, Admiral Wilhelm Canaris. But Horchers was never Nazi. Most of the anti-Nazi frontiers ate there and the Gestapo was not welcome. An English journalist, Ian Colvin, who had

known Horchers well from his days as a Berlin correspondent before the war, noted: "Horchers' food was excellent, brought in from Denmark, and his French wines were bought with occupation francs at controlled prices." But as the danger from bombing became more acute, the Luther Strasse premises were "abandoned for a safer villa in Wannsee suburb standing among trees on a sand ridge above the lake".

The Nazi defeat at Stalingrad in February 1943 dealt a lethal blow to the few remaining grand restaurants in Berlin. At Horchers, though, the manager tried to make up for the occasional gap in the menu with his old-world charm. This did not work on Josef Goebbels, the Nazi propaganda supremo, who mentioned Horchers specifically when he announced new austerity measures to accompany "total war".

Goering was not amused by the order to close a restaurant which had been supplying him with food for years. In a 46-minute telephone conversation, he told the gaudy-

ter of Berlin: "If you close Horchers today, I shall open it tomorrow as a Luftwaffe club!"

Goebbels responded by staging a "spontaneous demonstration" in which one of the restaurant's big windows was smashed. When Goebbels' men returned the next day, they found it guarded by Luftwaffe sentries.

With Goering's help, Horchers limped on in Berlin for a few more months. But after the massive Allied raid on the city on November 23 1943, Otto Horcher must have seen that there was little point in hanging on. Diners who turned up at Horchers in January 1944 found it shut.

By that time, however, the restaurant had opened its doors in Madrid - on November 11 1943. Gustav Horcher died three years later but Otto lived until 1977. The restaurant is now owned by another Gustav, Otto's son, who was only three when he left Germany.

Horchers was one of several German restaurants in the Spanish capital, but it was always the best. And visitors to Madrid after the war remember seeing the SS dardevil Otto Skorzeny, holding court there. At that time, he boasted he was in charge of the Odessa operation which helped SS men escape the justice of the courts.

For bottled beer, British is best

FOR WINE drinkers, certain grape varieties become fashionable for a year or two, then fall from grace; while brands of spirits are favoured by drinkers who would be hard-pressed to tell you why. It is all to do with marketing - and beer is the most fashion-conscious of the lot.

Take imported bottled beers. It is possible to draw up a sort of Chinese horoscope based on what has been the fashionable beer of the year. In 1992, American bottled lagers made great headway in the UK, although most are irredeemably dull. In 1991, it was Mexican beers with a wedge of lime (drunk, of course, from the bottle), while 1990 was the year of Japanese "dry". As for 1989, I seem to recall it was San Miguel. Whichever they were, though, we can be quite certain of one

thing: flavour was unimportant.

Last summer, I lived through a German heat-wave. So, I thought I would try out *Welzen*, or wheat beers. These sometimes are drunk in Germany with a slice of lemon but I cannot see why, as all of them have a strong lemony taste to start with.

The best are the *hefeweizen*, which undergo a second fermentation in bottle with added yeast: thus, the beer is cloudy and full of flavour. Comparing the *hefeweizen* available in Berlin, I found the best were Maisels from Bayreuth and Scherdel, although Thurn und Taxis was nearly as good. I have not seen any of these in Britain but I am sure they could take the market by storm.

Spurred by all this, the *Weekend FT* decided to taste

some of the bottled beers on sale in Britain. Apart from one made in London (which actually topped the league), and one from Scotland, all were imported. The tasters were myself, Iain Loe, from the Campaign for Real Ale; and Max Wilkinson, editor of the *Weekend FT*. The beers were scored out of 20 and are listed in descending order.

1: Very Special Christmas Ale (England), 16 points. This one English beer beat all comers. "Excellent in its way," said Wilkinson. "Needs to be drunk at the end of a meal," warned Loe, referring to its 8.9 per cent alcohol - stronger than many German wines.

Equal 2: Hoegaarden White (Germany) and Liberty Ale (California), 15.6. The Hoegaarden is not quite a *Weizen* as it has less than 50 per cent wheat. On the other hand, it contains coriander and curacao and comes out slightly cloudy. There was considerable enthusiasm for this beer and its spicy houqua, which sells from Whitbread pubs. The Liberty has a markedly fruity, hoppy character.

4: Brigrand (Belgium), 15.3. This Belgian beer, with nine per cent alcohol, comes in a 75 cl bottle with a champagne cork. It has a lemony taste, which Loe put down to the yeast. Wilkinson called it "rather nice".

5: Alpbacher Hefeweizen (Germany), 14.8. Our first *hefeweizen*. I did not think it was quite up to my favourites in Germany and it seemed a little bright for the type. But Wilkinson thought it "jolly good beer, almost the best here".

Equal 6: Coopers Sparkling Ale (Australia) and Regal Christmas (Belgium), 14.6. Coopers, from South Australia, has



Something's brewing... Giles MacDonogh, left, and Iain Loe get down to business during the *Weekend FT*'s beer tasting

been a personal favourite since I first tasted it on High Eden Ridge near Adelaide. It is sold by Oddbins for 99p. The Regal is a strong Christmas ale the colour of *cognac au lait* and smelling of baked bananas, with nine per cent alcohol.

The Weekend FT samples a selection of tempting brews

8: Chimay Red Label (Belgium), 14.3. Loe pointed out that this was the weakest of the Chimay beers, with seven degrees. A special yeast is used to give it its considerable character.

9: Traquair House Ale (Scotland), 13.6. This is made in the oldest house north of the border. It is a deep amber ale with "great charm".

10: Erdinger Dunkel (Germany), 13.3. A generation ago,

Grolsch - spelled "Bok" in Dutch. Beer of this sort is brewed with extra strength for the onset of winter. The result is rather sweet: something to steel your limbs before going out to work in the fields.

12: Singha (Thailand), 12.8. This beer is surprisingly full of flavour and proved one of Loe's favourites. Wilkinson found it "too bitter" and lacking in aroma.

13: Zambezi (Zimbabwe),

12.1. Again, this came as a surprise. A lager with real character.

14: Ostravar (Moravia), 11.6. A pilsner type. I was not keen, but Loe praised the after-taste and Wilkinson liked the "agreeable bitterness".

15: Kriek (Belgium), 11.3. This beer is called "Mort Subite" (sudden death) and is made with spontaneous yeasts and macerated cherries. I liked it, but Loe detected added sugar and Wilkinson thought it no more than a curiosity.

16: Stella "Dry" (Belgium), 10.8. Mixed views again on this Belgian-brewed Stella. Wilkinson liked it, Loe and I disagreed.

17: Heineken Export (Holland), 10.6. The votes went the other way round for this Dutch-brewed Heineken. I liked a gentle whiff of honey. The other beers failed to make half-marks. We thought the Kaltenberg Pils would be

better brewed in Bavaria, rather than our Whitbread-brewed sample.

Tiger from Singapore, Cascade from Tasmania, a UK-brewed Stella and a San Miguel look-alike from Spain called (appropriately enough) Damm all seemed to lack character. The feeling among the tasters was that these brews were best drunk when it was very hot and you were too thirsty to notice.

A Bahamian beer called

Kalk smelled of manure. Having said that, it will almost certainly become this year's fashionable sensation.

The specialty beers are available from the Beer Shop, 8 Pittfield Street, London N1 (tel: 071-739-3701) and Grosblossom, 66 Notting Hill Gate, London W11 and branches (tel: 071-792-3834).

A number of gift boxes are available by mail order.

Giles MacDonogh

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SPORT

Tennis/John Barrett

Seles set for high-decibel showdown

TO GRUNT or not to grunt, that was the question for Monica Seles at last year's Wimbledon. In the final against Steffi Graf the world champion remained silent and lost 6-2 6-1. At the time I was convinced that her lacklustre performance was due to the conscious effort she made to change the habit of a tennis lifetime. Any athlete forced to operate on the conscious level is doomed.

For the first time since that Wimbledon meeting, the two rivals for the world No 1 ranking clash again in today's final of the A\$6 (\$2.6m) Ford Australian Open at Flinders Park, Melbourne, worth A\$410,000 to the winner. Although Monica has lowered her average decibel level in the six matches that have taken her to her third consecutive final here, that is only because she has slaughtered the opposition.

In her quarter-final against Julie Halard, where she failed to convert three match points and lost her first set of the tournament, she was positively snarling as she reeled off the last six games for victory.

The grunting issue is never far away. Irritated by the constant media questions, the disgruntled champion said at the start of the meeting: "I just don't want to keep talking about it. If I grunt, fine. If I don't grunt, that's fine too."

After her 6-1 6-2 destruction of the world No 3 Gabriela Sabatini in a semi-final on Thursday, the champion was positively... well, grunted.

"I played a good game today. I just kept concentrating and when the pressure was on I played quite well."

That simple understatement reveals the total belief in her own ability that is the foundation of Monica's greatness. Make no mistake, this remarkably unathletic teenager is already a great champion. She has reached the final in 33 of the last 34 tournaments she has played and won 22 of them, a run that includes six Grand Slam

wins from seven consecutive finals. In her four-year professional career she has won 242 matches and lost 28, a winning average of 89.6 per cent, and a player on the way up usually loses more matches than she wins.

Chris Evert can better this - just - but only if you take her entire career. Her record is: won 1,308; lost 149; average 89.9 per cent. Graf's record is almost as impressive. In her ten years as a professional she has won 591 of 667 matches for a winning average of 88.6 per cent.

Graf and Seles now rule women's tennis as completely as Evert and Martina Navratilova did in the early 1980s. Their clash in this first great Championship of 1993 should launch us on another year of intense rivalry.

Although Graf leads 6-3 in career meetings, the first three wins came as Seles made her grand entrance on the tour in 1989 by reaching the final of the French Open unseeded and taking a set from Graf.

The intriguing thing about today's match is that both women are improving. Seles is serving much better than she did last year and shares the lead with Jennifer Capriati for the fastest recorded delivery among the women in Melbourne, an impressive 169kph. She is also volleying with enthusiasm. In the first game of her match against Sabatini there was a two-handed drive volley and a beautifully struck sliced backhand volley of which Navratilova would have been proud.

Graf, too, is volleying occasionally and is thumping that forehand as well as ever. She has also reverted to her excellent sliced backhand as her basic shot on that wing, an admirable decision because the ball skids through fast and low off the Rebound Ace surface. Seles will spend much time this afternoon digging up low balls as Graf speeds about the court to find the crosscourt angles that will expose the double-hander's lack of reach.

The outcome, therefore, is likely to depend upon the mental qualities of the two. This is where Seles has the



Power play: Jim Courier on his way to tomorrow's final of the Australian Open

edge. This intelligent teenager has a mind like a steel trap. Against Graf in the French Open final last year, after being thwarted on four match points at 5-3 in the final set, Monica twice had to serve to stay in the match. She never flinched, and when she sensed Graf's resolve weakening, the jaws snapped shut.

She has been equally canny here. Asked about playing Graf in the final she said: "Steffi is going to serve very strongly... she is playing great tennis with great tempo, very strong on both sides... I will just have to go for my shots."

In the men's final tomorrow the holder and world No 1, Jim Courier, and the number two seed, Stefan Edberg, meet for the eighth time. Edberg has won four of their meet-

ings, his last victory - the US Open final of 1991 - revealed the 25-year-old Swede at his greatest. Since then their only meeting has been last year's Australian final, won by Courier in four sets.

At these Championships Edberg has celebrated both his 27th birthday and a welcome return to top form - in spite of a back spasm during his fourth round win over Amos Mansdorf that threatened to end his challenge. In 1989 and 1990 he was forced to retire from the Australian Open with injuries and it has taken courage for him to continue. His 7-6 6-3 7-6 semi-final win over third seeded Pete Sampras yesterday was heroic. The American led 4-0 in the first set but Edberg, easing himself into the match, stepped up the tempo with

some devastating returns of serve and typically athletic volleys that finally destroyed Sampras's confidence.

Courier, the top seed, was equally impressive in beating Michael Stich 7-6 6-4 5-2. Only once, at 1-2 in the first set, was the American behind. Once he had recovered the break of serve he proved that the basic qualities of groundstroke control can usually beat a rampant serve-volleyer on relatively slow courts.

This 100th Grand Slam Championship of the open era has been an impressive meeting for the one-sidedness of the later rounds in the men's event. Not since the US Open of 1977 have all four men's quarter-finals and both semi-finals been won in straight sets. Someone must be doing something right.

At professional level, football mania reaches even greater heights. Two weeks ago, the Cowboys held a rally at their stadium in the city's outskirts for fans wanting to boost the players in their bid to win the club's first Super Bowl since 1978. On a dull, rainy mid-week day, 70,000 people turned up.

The rally was shown live on local television and repeated on the same channel two nights later, attracting big ratings both times. Even the Lone Star state's most famous entertainment export cannot compete. The Cowboys' National Football League championship game against San Francisco two Sundays ago attracted the biggest local television audience ever in their home town, far outstripping the record held by the "Who Shot JR?" episode of the soap opera *Dallas*.

Although Texans are an hospitable bunch, the football fans sometimes take their fanaticism to absurd limits. When the Philadelphia Eagles arrived earlier this month to contest the Eastern Division title, shopkeepers in the Dallas area removed cartons of Philadelphia soft cheese from their shelves. And Buffalo, Texas, (population 1,900), has changed its name - to Blue Star - for this weekend.

The irony of the Cowboys' wonderful run this year is that the chief architects - Jerry Jones, the owner, and Jimmy Johnson, the coach - both are former star footballers at the University of Arkansas, a great college rival of Texas A & M and the University of Texas, and just a few miles across the Texas state line.

The two Arkansas alumni took charge of the Cowboys 3½ years ago. After a couple of disastrous seasons, their drive to turn round a dispirited club and a struggling team began to pay off.

After winning only one game in the 1989 season, Dallas improved so rapidly that this year they won 13 of the 16 regular season matches.

Jones and Johnson have been ruthless in re-shaping the club - the old management was purged and unwanted players traded away to make room for fresh faces. They have shown a willingness to gamble, too, both with the selection of their teams and

American Football

Lone Star state of mind

IF ANYWHERE in the US can lay claim to being the heart of American football country, it is Texas. Many states provide more players to the professional game. Some have more NFL teams and blue-chip, football-playing universities - but there is nowhere quite like Texas when it comes to passion for the sport.

It is no surprise, then, that Texans are going wild over tomorrow's Super Bowl at Pasadena, California, which pits their beloved Dallas Cowboys against the Buffalo Bills from New York state.

Their enthusiasm for the game starts at the lowest level. Texas is mad about high school football. "A typical game in the city will draw between 5,000 and 10,000 people," says Steve Davies, a sports reporter at the *Dallas Morning Herald*.

"In the smaller towns, the crowds are the same which means that, in some places, about 20 per cent of the local population is often at the game."

Indeed, high school football is most popular in country areas - and not just because it is often the only action in town other than the rodeo. For as long as anyone can remember, rural Texas has been producing big, brave farm boys suited ideally, in physique and temperament, to the bone-crunching rigours of the gridiron.

The link between farming and football reaches its apotheosis at Texas Agricultural and Mechanical, the finest footballing university in the state. This year, A&M attracted crowds of up to 80,000 as they won all their games in the regular season and challenged for the title of national college champions.

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Dallas fans won't hear of Super Bowl defeat, writes Patrick Harverson

with the plays that have been called during games.

Like the Miami University team that Johnson coached to a national college championship late in the 1980s, the Cowboys are built on speed, or what American footballers call "quickness" - which means speed and agility over short distances, and an ability to think and react quickly in tight, unscripted situations.

Dallas exploits that quickness with a flexible, attacking game that is comfortable both running and passing the ball. In recent games, the Cowboys' offense has been as swift, precise and potent as the San Francisco 49ers' attack during their long reign in the 1980s as the NFL's best team. The comparison was not lost on some of the San Francisco players who faced the Cowboys a fortnight ago. "It looked like we were playing the mirror image of ourselves at times," said Jesse Sapolu, one of the 49ers' key offensive players.

Although the bookmakers have installed the Cowboys as the favourites tomorrow, many wise heads are warning that the Bills (who have been to, but lost, the past two Super Bowls, the 1991 game by a single point) will have much more big-game experience - Dallas are the youngest team in the NFL, with an average age of 26.

Young they may be, but there is no shortage of confidence from the Dallas players. As Emmitt Smith, their star 23-year-old running back, said so disarmingly this week: "Experience? How much experience do you need to play in a Super Bowl? I've been running the ball my whole life. What more experience do I need?"

Skiing

Danger under the sun

IN THE heart of the Swiss Alps this week, something stirred. Flurries of snow followed by more substantial falls on higher slopes in the Valais arrived to break the relentless meteorological deadlock of sun and blue skies but not necessarily to improve treacherous pistes. The danger to life and limb is still there, although further snowfalls may finally minimise the dangers.

Day after day, the slopes had slowly deteriorated from superb to good to patchy to downright dangerous as recent deaths testify. After a superlative start to the season, skiers encountered endless sunny days or perfect piste skiing. But without further falls and with temperatures not always cold enough to enable resorts to top up with artificial snow, even the best pistes on the lower slopes gradually deteriorated. The problem now is that small amounts of fresh snow tend to cover icy moguls, making them even more treacherous because skiers often cannot tell what lies under the fresh covering. Much higher up, however, the new snow is sufficiently deep on most runs to ski without breaking through to the old snow, which was in better condition anyway because of the altitude.

Another problem is that the very qualities that make a ski resort so challenging - steep, long, rocky descents with chutes and couloirs - tend to make it more dangerous with inferior snow cover.

Verbier is a good example. So are

other barnstorming resorts such as St Anton, Val d'Isère, Argentière, Zermatt and Jackson Hole. Each has steep, rugged, rocky mountains where the terrain includes some of the world's most exhilarating runs. Take away too much snow cover and you get areas of treacherous, rock-strewn slopes where out-of-control intermediates, travelling too fast for their imagined skills, can easily damage other skiers and themselves. The problem with strong, fit, young intermediates is that many ski as fast as experts without the same control.

In Verbier this week, the La Chaux area above Les Ruinettes has been hell's corner as skiers came hurtling into one of the resort's busiest bottlenecks. In normal conditions, their inadequate technique would see them through, but on hard, icy slopes they are unusually vulnerable - and so is anyone who happens to be in the way.

In these conditions, a red run can easily be labelled black and even the mildest blue can be transformed into a stiff red.

Ironically, the unpleasant and sometimes dangerous state of the slopes has highlighted the attraction of off-piste descents, so often thought

of as the pre-occupation of the hare-brained, dangerous fringe of ski-ing. In resorts where the groomed runs are at their most dangerous, skiing off-piste with a qualified guide can be a safer option. Guides are trained to seek out good and safe snow conditions. The only snag is that to get to the classic off-piste areas a skier can

Arnold Wilson on the risks of the slopes and how to ski safely

rarely get by with lower-intermediate skills. Off-piste skiers must be able to negotiate breakable crust and heavy, loose snow, and to walk up and then ski down some steepish gradients. But just as there are easy and difficult pistes, there are usually "beginner" areas for off-piste debutants.

In Verbier, intermediate piste skiers can manage the gentleish ungroomed slopes around Arollas without a guide and even the gentle descent all the way down from the Rosa Blanche glacier, although a guide is required to

help skiers steer clear of crevasses. More expert skiers can cope with the joys and perhaps occasional fears of skiing a myriad off-piste itineraries. Slabways to heaven, reached by a long traverse from the top of the Jumbo Mont-Fort cable car, is a wonderful example of rich rewards for little effort. It involves a steep but not difficult walk to reach some wide open and exhilarating but not terribly steep snow fields. In good conditions, even Mont-Gelé and the legendary "back" of Mont Fort can be skied by strong, experienced intermediates.

On the rare occasion when a group of helicopter skiers are injured or killed, it inevitably makes headlines. Yet you have more chance of being injured or killed in one of the acres of individual collisions or falls on piste than in an avalanche while heli-skiing.

Year after year, single skier's deaths have gone almost unnoticed. What is different this year is that some of the casualties have been British.

Guides cost money. Our guide this week in Verbier, Yves Rausis - with almost 20 years experience in Canada, Alaska and California and who sur-

vived a massive 2,300 foot fall during an avalanche while guiding in Verbier eight years ago - cost \$37,400 (£18,40) a day between four of us.

You might well ask why you should pay such a sum to ski off-piste when you are already having to pay to ski on-piste. However, your \$50 will bring you not only good snow while others are struggling in difficult conditions, but also wonderful adventures in remote and beautiful wildernesses that you would not find if you spent the whole week looking, not to mention the risk of falling down a crevasse in the process.

Guides such as Rausis can make all the difference between an average day on skis and a truly outstanding one. They instil a confidence that is rarely misplaced. I would ski over a cliff for Yves in the almost certain knowledge that I would not only live to tell the tale but do it all over again. Such confidence can enable you to ski with verve in places where - if you were alone - you might die of fright. The elation you experience makes the guide worth every centime.

My visit to Verbier was organised by Ski Thomson, Greater London House, Hampstead Road, London, NW1 7SD. Telephone 081-200-8733. I stayed in the Chalet Mont Clair (prices from £297 including cooked breakfast, afternoon tea and dinner with wine. Our chalet person, Sarah Armstrong, made delicious cakes, excellent porridge and was patient with two exuberant under-fives in our party.

Motoring

A thoroughbred beast of burden

CITROËN'S XM is not quite the biggest bulk carrier among estate cars. Ford's Scorpio, a Mercedes 200-300T or the Vauxhall Carlton beat its load floor length, with back seat folded, by up to five inches (12.5 cm). But nothing

can match it as a weight carrier. As a bonus, its self-levelling suspension keeps it on an even keel with a load of garden stone or logs. Or, for that matter, a dozen cases of still wine, six of champagne and 24 cartons of beer.

This, my bathroom scales

tell me, will total 1,074 lbs (488 kg). Allowing 294 lbs (134 kg) for my wife and me, we will still be well within the 1,378 lb (626 kg) load limit - and HM Customs' guidelines - as we roll off the ferry at Dover one day soon.

But the XM SD estate is much more than a champion weight-lifter. I doubt that any estate car can match its ride quality. Laden heavily or running light, it is as unruffled by bumpy roads as an ocean liner on a gentle swell.

On motorways, it cruises like the chairman's limousine. Semi-active suspension lets it corner fast on winding roads without leaning; automatic transmission makes town driving relaxed and motorway tail-backs more tolerable.

Normally, I fill the 80-litre (17.6 gallon) tank at 450/550-mile (725/885 km) intervals because, in more than 4,000 miles (5,500 km), the worst fuel consumption has been 28.6 mpg (9.87 l/100km). At best, it was 35.4 mpg (7.98 l/100 km).



Citroën XM SD automatic estate: A champion weight lifter with executive car trimmings.

The two-pedal XM SD estate is, of course, a turbo-diesel. It is not as economical as a five-speed manual Citroën XM SD I drove for a year; that gave me up to 45 mpg (6.37 l/100 km) on a journey. But the automatic is

Stuart Marshall tests Citroën's XM SD estate

a far nicer car to drive. With only two pedals, its awkward, foot-operated parking brake is tolerable because it is not needed for hill starting. And apart from replacing a no better-than-average manual gearbox, the automatic transmission makes the XM turbo-diesel feel much more refined.

Because the 2.1 litre, 12-valve, 110-horsepower diesel is small for a car of this size, it has to work quite hard. When accelerating, the transmission does not go into top until nearly 3,000 rpm and 50 mph (80 kmh). On slowing down - say, for a corner - it downshifts almost imperceptibly into third at around 40 mph (64 kmh) and into second at 30 mph (48 kmh).

All of this makes the XM SD drive more like a petrol-engined car than a typical diesel. The downside is that on a cross-country route with bends and hills, the transmission spends more time in second and third than in top, which is no help to fuel economy. But on a motorway, the high top (under 3,000 rpm at 80 mph/128 kmh) makes for relaxed and economical motoring.

The XM SD estate has such

executive car goodies as power-adjusted front seats and door mirrors, remote central locking and electric sun roof - plus a good radio/tape with volume and station search buttons in the steering wheel hub. With all seats filled, it still has a load space big enough to take a folded two-seat pram and a Labrador on its bean bag.

Citroëns share important mechanical components with Peugeots but are still individualistic. Although it is not at all quirky, you would never mistake the XM estate for anything else; it drives, rides and looks like no other car.

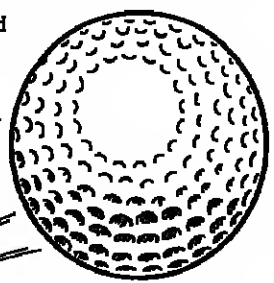
List price is £20,943. This includes an information read-out telling you which door you have left half-open and what the outside temperature is - it flashes a frost warning below 5 °C - but ABS brakes are £281 extra.

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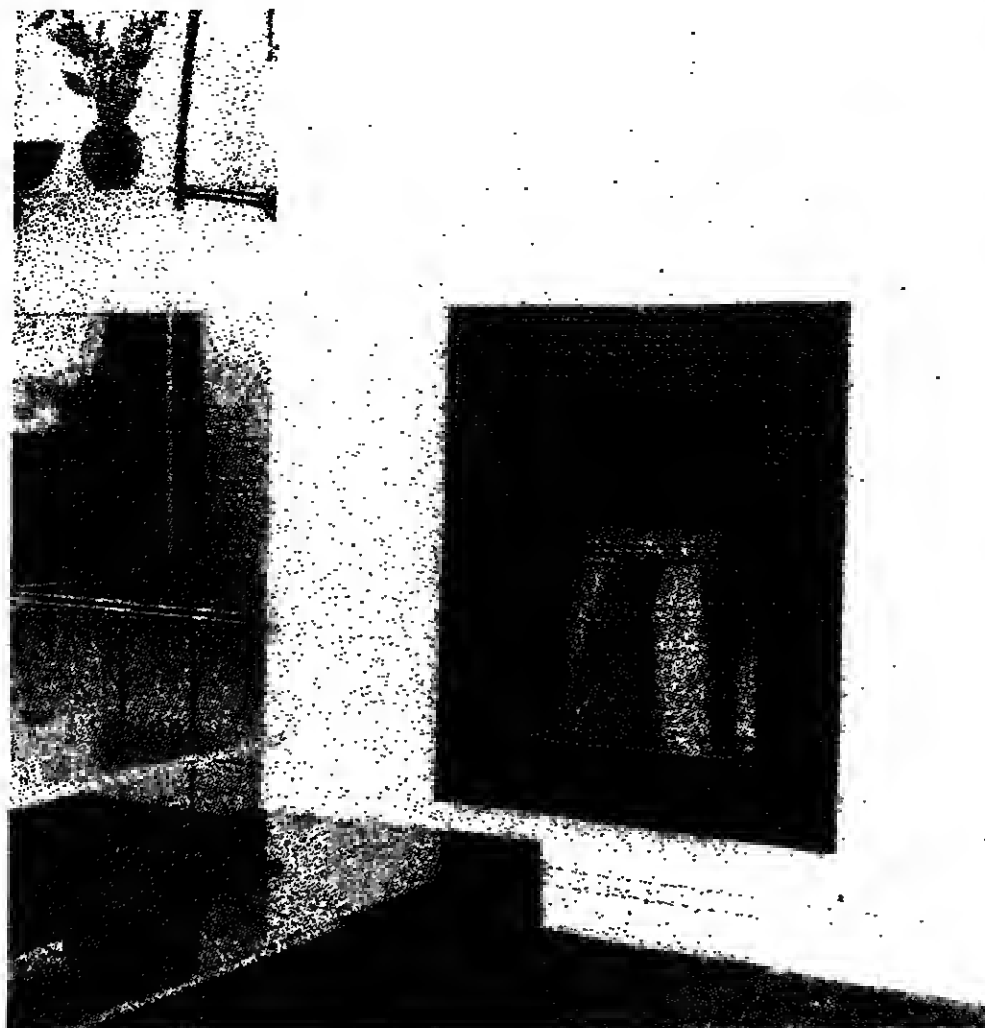


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HOW TO SPEND IT

Lucia van der Post with fireplaces which give a fresh focus to the home, smart bags and tidy tartans



Decorative gas fires with a difference - two versions of Harry Harrison's Sands Of Time series

Those burning ambitions...

MOST people's images of fire centre around the ancient and traditional. All those stunning stage-sets, featured in the glossy magazines as the long, cold nights of winter draw in, nearly all centre on Dickensian images of olde-worlde fire-places with surrounds that are every period from Louis XV to Edwardian.

Even the most technologically advanced of decorative gas coal and log fires seem to feel they need to look old-fashioned in order to appeal.

teer who wanted to offer his clients – and anyone else who was interested – a different aesthetic, a contemporary alternative. After all, being a fireplace not only offers warmth but it is a compelling focal point that adds definition to a room.

His first venture into contemporary fire design produced the Platonic Fire – three separate designs called Socrates, Euclid and Plato. Each features a collection of what he calls geologs, based on geometric forms such as the sphere, the tetrahedron and the cube, all set in equally geometric chrome crates, complete with

embers and gas controls.

But Harrison felt that the Platoro was not the answer everybody's needs. There was a need for a fireplace design that was more acceptable to traditionalists, that looked slightly softer, but that did not simply imitate the log fire. He therefore came up with what he calls *The Sands of Time* series — two examples of which are photographed above.

He uses black granite or slate surrounds to frame what he calls a "*mise en scene* of architectural forms evoking memories of ancient cultures". He has used classical references such as the Corinthian

capital, the Doric column, plaques, reliefs and other hilts of the Queen's furniture to replace the conventional logs.

They are all cast in a fire-proof material from moulds designed and made by Harrison and customers can choose any combination or arrangement that they like.

They can also order a unique piece of sculpture if they prefer - in the same fire-proof material. Each fireplace is effectively a one-off.

There is no need for a grate - the collection of architectural relics is arranged on a sand bed and would look as easily at home in a traditional

surround as in one of Harrison's immaculately clean and starkly white rooms.

For the really adventurous customer Harrison has a new idea, — it just needs somebody with courage and vision to order it and the range will be on stream.

It is based on using perspective in a Piranesi-like way and taking Piranesi elements such as columns, podia, eroded arches, statues and crumbling masonry and using them to create an architectural backdrop or stage-set in the fireplace. The elements can be arranged as the customer wishes and can be rearranged.

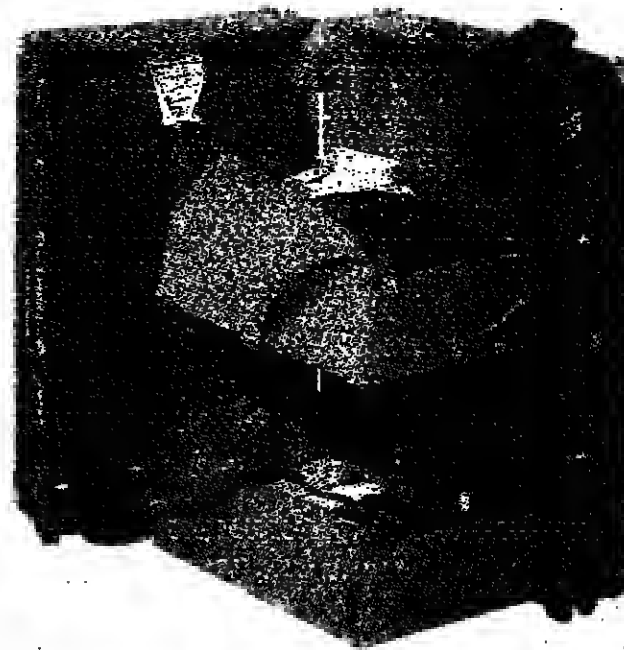
relaxed. She loves sleeky leather—she's all treated and waxed to protect; from water and scratches—and uses her own Franchetti coat of arms as a signature on all her pieces.

For summer there are some striking fabric bags—the ones in navy-blue cotton with tan leather straps, photographed opposite, is a splendid example of her combination of practicality and chic. Prices are good—ranging from about £35 for some of the fabric versions to £150 or so for the all-leather.

If more serious luggage is on your agenda then it is worth knowing that for the first time the smart German label MCM



er straps, ESS, from Franchetti Bo



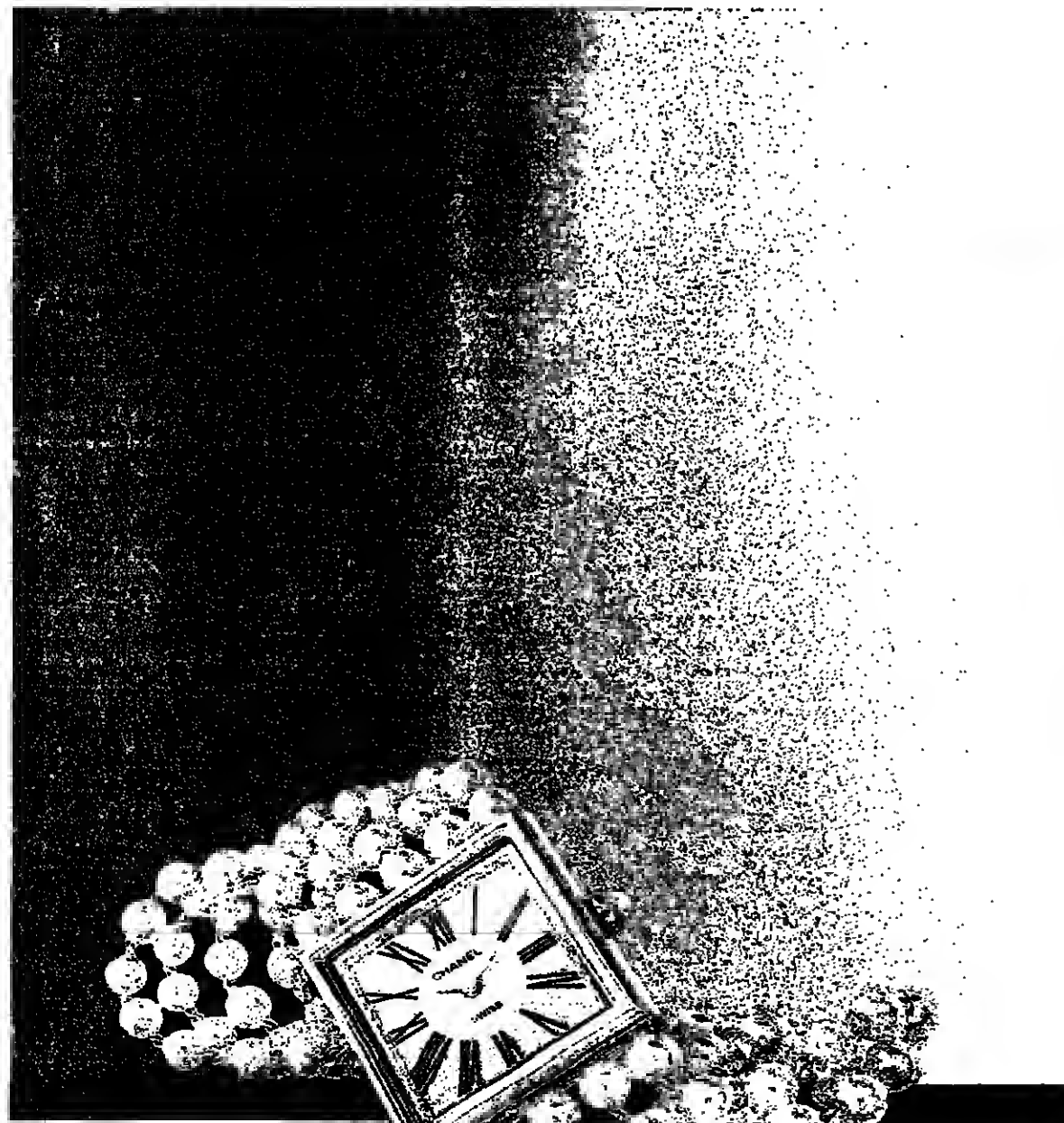
A gentleman's travelling wardrobe by MCM, £4995 from Harrods



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Melissa Rigby's tartan Renaissance range using traditional dyes

Quick, slick cover ups

IHAVE only recently come to see the inestimable qualities of "throws". At their best they are soft, warm, durable and beautiful. They are the quickest, simplest and cheapest way of recovering a sofa - just throw one over the existing fabric, and there you are, a new cover.

They can be used for concealing unexceptional or even ugly tables, for revitalising a colour scheme and can double as shawls or rugs.

Melissa Rigby has built a business round the throw. She takes fine worsted yarn and hand dyes it with natural vegetables dyes in small batches. She uses traditional dyes such as indigo (blue), madder (red) and weld (gold) to produce the rich colours shown in the photograph here.

The results are beautiful contemporary classics.

Before starting Rigby Hoes, the company which produces the textiles, Melissa Rigby spent some 18 months

travelling and researching those cultures which still retain the old traditions of naturally dying cloth. Her aim now is to go on designing and producing fine naturally dyed textiles – in the pipeline and on sale probably in about eight months time are vivid textiles from Hungary (traditional hand-block-printed 19th century designs), traditional double weaves from Wales as well as embroidered textiles from Transylvania and Bangladesh. Meanwhile, anyone wanting the throws, which measure 72in by 64in and are fringed, can find them at George Trowark, St Christopher's Place, London W1: Idonia van der Bijl, 25 Museum Street, London WC1, at £130 a time.

Although Melissa Rigny's throws are very special almost every furnishing accessory company at the moment has come up with a version of their own - photographed here is one of a new range from Osborne & Little, the company primarily known



An Iona plaid throw in pure wool worsted from Osborne & Little

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FASHION

Paris is still the key

Avril Groom at the nerve centre of haute couture

PARIS IS the only city in the world where large numbers of people discuss seriously the economics of making dresses costing upwards of \$5,000.

It is still the nerve centre of haute couture and even designers from elsewhere - Versace from Milan and Valentino from Rome - come to show their collections twice a year. Not that they expect to see many customers there. The show goes on for the press. The publicity helps promote the lesser products, from perfume to purses, where the real money lies.

Genuine customers have dwindled to about 1,500 worldwide, according to Vladimir de Kozmine, managing director of Nina Ricci couture. "There are many more women who could afford it but they do not have the patience for time consuming fittings," he says. So it has become tempting for many designers to use couture to develop new ideas, which can be watered down for the commercial ready-to-wear.

But making and showing a couture collection is enormously expensive. De Kozmine estimates that it costs \$1m a time more than half in direct costs, the rest in tying up staff for over two months a year. The international financial concerns which control most of the houses are beginning to question the wisdom of it all. The result has been some awkward ducking and diving among designers and a division between houses who see couture as the fount of design innovation and those who feel the customer should call more of the tune.

Last week's sale of the Yves St Laurent group to Elf Sanofi, state-controlled through Elf Aquitaine, followed the removal of Jean-Louis Scherrer by his Japanese financiers from the house he founded and the short-notice installation there of Erik Mortensen, himself ousted from Balmain.

Balmain now has the first American in Paris, Oscar de la Renta. His first very pretty but not outstanding collection this week was seen as good customer relations. The brilliant Christian Lacroix, whose talents are best suited to haute couture, has had a setback with the failure of his perfume, C'est La Vie, launched before he was well known worldwide and the question is how long his backer, Mr Bernard Arnault, can continue to support him.

At the heart of this is the dichotomy between old-style, labour-intensive craft and modern commercial expediency. Many couture houses are members of the Comité Colbert, a self-financing, 70-strong group of France's luxury goods companies, which exists to promote and perpetuate highly skilled artisan crafts.

Apart from fighting such modern plagues as counterfeiting, it supports education in all the crafts on which its members depend, from workshop apprenticeships to student management and design projects on an international basis.

Haute couture is fighting a rearguard action and its own governing body has reduced the minimum number of workers and outfits per collection for new couturiers in an attempt to encourage younger designers to join the profession. So far there are no takers, but financing a couture house in the recession cannot be done overnight. The most likely candidates are successful ready-to-wear designers. Thierry Mugler and Claude Montana. Mugler's collection of one-offs is already couture by any other name while Montana has designed couture for Lanvin.

Both have a modernist design approach

and would be welcomed by the more go-ahead houses. It is now almost two years since Yves St Laurent's partner, Pierre Bergé, made his famous remark that "couture will be dead in a decade", but the top names are determined not to sink without a lot of splashing.

Chanel splashes loudest of all and, in Karl Lagerfeld, it has the world's most bankable designer. Its head of couture, Catherine Riviere is both impossibly elegant and warmly informal. She is also a consummate professional who says: "The days of being in fashion for fun are over. Now we work hard to get new clients - subtly, not aggressively. But I believe in promoting haute couture because there are many women who can afford and want that unique workmanship once they understand it."

Chanel makes concessions to modern methods. Between 200 and 300 clients order each season (though how many outfits is not revealed) and with 90 workers their ateliers are smaller than some with fewer clients. With a global clientele who cannot all come frequently to Paris, they can work from fewer fittings and by building trust with the customer. They also take the collection to New York and Los Angeles. But the handwork is never skimped. An unembroidered dress or jacket still takes between 120 and 150 hours to make. Prices start at about \$7,000 for a day dress, with suits costing up to \$15,000, although exact prices are never quoted except to clients.

Every house has its own subtleties and at Dior much pride is taken in the way a perfectly fitted couture outfit compensates for any imperfection in the client's figure. "First we take her measurements and then fit a toile tightly around her," says head of couture Annick de Cizancourt, another picture of elegance in classic Dior pale grey. "This is built into a model of the client's body to make the outfit on."

The house has about 200 clients of whom 10 per cent are new each year, and 120 workers. The pace is more traditional than at Chanel - "most clients accept that it takes about two months to complete an outfit. We are total perfectionists. The client is paying for the work of a seamstress who has had at least five years' training."

Chanel and Dior insist that, although there are close links between the perfume and fashion sides, the fashion side - including ready-to-wear, accessories and couture - is financially independent.

At Ricci, the view is different. De Kozmine claims 100 clients for whom about 300 outfits are made each season by 100 workers, who also do ready-to-wear alterations. The approach is more old-fashioned, with clients often being personal contacts of the staff who include a princess and a grand duchess. In spite of slightly lower prices, he says the lack of younger clients is a source of worry for the future. "We should look at money-saving alternatives," he said, "like smaller collections, maybe more de luxe ready-to-wear and less couture, maybe showing only once a year as Cardin is going to do."

The designers, though, know where the crunch comes. In couture's heyday a client always expected at least one consultation per season with 'her' designer. Now it rarely happens except for special wedding dresses. "Designers are paid to create; they're very busy," says de Kozmine. "And they know that couture is not what makes the house's living."

■ St Laurent's tailored check and soft chiffon - three pieces, about \$12,000
■ Versace's striped jacket and dress with a swing in the tail - about \$9,000
■ Dior's perfect jacket and soft trousers - about \$9,000
■ Lacroix's mix of 18th century and 1970s - three pieces with embroidery, about \$20,000
■ Chanel's rich-happy tweed coat and flowery chiffon layers - about \$17,000
Photographs by Niall McInerney

THE spring collections, shown this week, are an object lesson in the soft look. Main themes are: Historical romance, with piratical lox coats over ruffled chiffon (Versace and Lacroix), Edwardian curves over chiffon pleats (Chanel), 1930s style bias-cutting (Chanel, Hanae Mori, Lacroix, St Laurent), wide soft trousers at Lacroix, Dior, St Laurent and flares only at Versace, transparent and mesh fabric at Versace, Chanel, Dior, rich-happy, mixed-flower prints at Chanel, Lacroix, St Laurent and Ungaro, white drapes at Dior, Balmain, Ungaro and Chanel.

Obituary

Grand old man of gardening

Robin Lane Fox pays tribute to Arthur Hellyer

ARTHUR Hellyer, who died on Thursday afternoon, was the grand old man of English gardening, a position which he occupied with characteristic modesty, kindness and generosity.

His honours were of the highest: he received the MBE in 1987, and the Victoria Medal of Horticulture from the Royal Horticultural Society. Admired internationally for his many works of reference, he was one of the great gardening editors in the world of magazines.

It was very much in the later stages of an already famous career that in 1959 he became gardening correspondent for the FT. He met his weekly task without interruption. He was never a man for unpunctual copy or a week off. He belonged to a veteran school where the standards demanded professionalism without fuss.

His long life took its distinctive turn after early fears of fatal illness. Born in 1902, he left Dulwich College, south-east London, aged 13 when diagnosed as having tuberculosis. After being advised to work outdoors, his first job was growing tomatoes on the Channel Island of Guernsey. Then he moved to a farm on neighbouring Jersey.

The islands were linked to his family through his Uncle Ernest, who was Jersey's state auditor (Arthur once joked to me that he might have been a little too investigative for some of his readers on the FT). It was Ernest who owned the Jersey garden, about an acre in area, which Arthur inherited in 1956.

But his main home lay in Sussex, where he turned 7½ acres of woodland and derelict ground at Rowfant into an imaginatively, beautifully-planted design. One garden

would have been enough for most of us but Arthur managed two, without any hint of strain.

From the Channel Islands, he graduated to the world of journalism. In 1929, he moved to *Amateur Gardening*, his natural home for the next 38 years. He edited this great British institution from 1944-67 but still found time for the garden, three children, a devoted marriage, a score of important books and fine photography, not to mention his distinguished articles for *Country Life* and the FT.

Arthur's style was unmistakable: clear, informed, accessible to any plain reader but always alert to a new technique. There were those golden moments when experts were proposing something without persuading Arthur that they knew the answer.

His wife, Grace, whom he married in 1934, was the mainstay of this generous life, her own a botanist and the ideal self a sounding board for each week's written pieces until her death in 1977. Daughter Peelope in 1977. Daughter Peelope then took on this role. With their help, he never forgot that he was writing for people who knew so much less.

Through his own work, meanwhile, his range was universal. He and his wife ran a successful market garden for several years; during the droughts of the mid-1970s, they did a memorable "double act" for the FT on the glut of cucumbers and their recipes for the best cucumber soup.

Simultaneously, Arthur was writing assured historical articles with an eye for great gardens' style, changing design and social context. He brought dozens of lesser-known places to a wider audience, in *Country Life* as well as the various RHS journals.

Journalism is said to be a cat's paw and there was ample scope for tricks from the resident old tom cat when I was appointed in 1970 as a completely unknown second string with the brief of writing mid-week. The deputy editor drew the task of taking us to a London restaurant where Arthur greeted me by saying that my recruitment was great news for gardening and the FT's commitment to it.

He went on to ask Lord



Drogheda, the FT's chairman who died in 1989, whether he was having a good year. When his lordship began discussing quarterly profit, Arthur said he meant a good year for the camellias following his own recent visit to the Drogheda garden to give his free advice. Even Arthur had his favourites in the world which he knew universally. I think of the hardy fuchsia Brilliant; the blue hydrangea Vicomte de Vihraye; a viola called Well-siana, which was kept alive exclusively through his efforts; the mysterious white climbing rose which an old nurseryman gave him in the 1920s, and which he sent me to run up a

tree; and the freesias which he and his wife grew with such skill and fondness. Not that he ignored the rest of this paper. While we all read his gardening columns, he would be an avid reader of the main business of the FT.

For 22 years, this newspaper inadvertently employed two gardening columnists who were mad-keen followers of the market without either confessing it to the other. Their results, no doubt, reflected their differing characters: Arthur's, I guess, were sceptical and sensible, but I also suspect that he liked a gamble and that some of them were as bad as mine.

Since 1921, he had supported the Gardeners' Royal Benevolent Society, where he served on the council - one of many such public roles. His final brief illness was spent in their care, surrounded by flowers from the dozens of friends whom he always attracted.

A few days ago, Penelope brought him camellias and some stems of willow from the garden, but one of this country's sharpest judging eyes had not lost the flare which served the RHS for so long. The willow, he told her, was not up to much; and as for the camellias, they must be Lady Clare, although they had no label.

Penelope already has begun a nursery of her own at Rowfant, much to his pleasure: her hope is that the garden will open to the public eventually, preserving the style and skill which Arthur and his wife stamped on it.

The loss to his two sons and daughter is partly ours and all his FT readers will send their sympathies. The length and breadth of his life made him the most influential and respected writer on gardening of his time.

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TRAVEL

Carnival and caribou ...in moderation

Kevin Piley enjoys Quebec's winter frolics

IF YOU have never found yourself in the middle of the night standing in 2ft of snow, chatting merrily to a 7ft snowman, you have not experienced the hypothermic delirium or the Quebec winter carnival.

The Quebec carnival is one of the world's largest. However, in terms of audience participation and organisation it still claims third place behind the Mardi Gras celebrations in New Orleans and Rio. Each February, 600,000 *carnaveux* (double the number of Quebec's permanent population) enjoy the show.

It started in 1894. Since 1973 the carnival has been spread over 11 days and is held each year from the first Thursday in February to the second Sunday. This year's dates: February 4-14.

It takes a certain insanity to enjoy a rave in sub-zero temperatures, but the Quebecois attach great importance to their carnival. It is the highlight of their bitterly cold and unequivocally wintry winter. It is also their third-largest revenue-producing event. Rooms in hotels like the Chateau Frontenac and Hotel des Gouverneurs are at a premium and booked years in advance. Some families and compa-

nies have season tickets.

Just as the Soviet Union used to parade its military might in Red Square, so the Canadians seize the chance each February to show off their enormous stockpile of red noses, roadside slush and *joie de vivre*. Innumerable hundreds of teeth-chattering, feet-stomping, lurid and puce winter-wear line the streets of the Old Quarter drinking caribou, which tastes as if it is made from red wine plus the lubricants used in the city's snow-blowers.

Caribou is traditionally drunk out of a long plastic hollow walking-stick topped with the face of Le Bonhomme Carnaval. It is powerful stuff and numbs you to the acute cold and all other manifestations of the outside world within seconds.

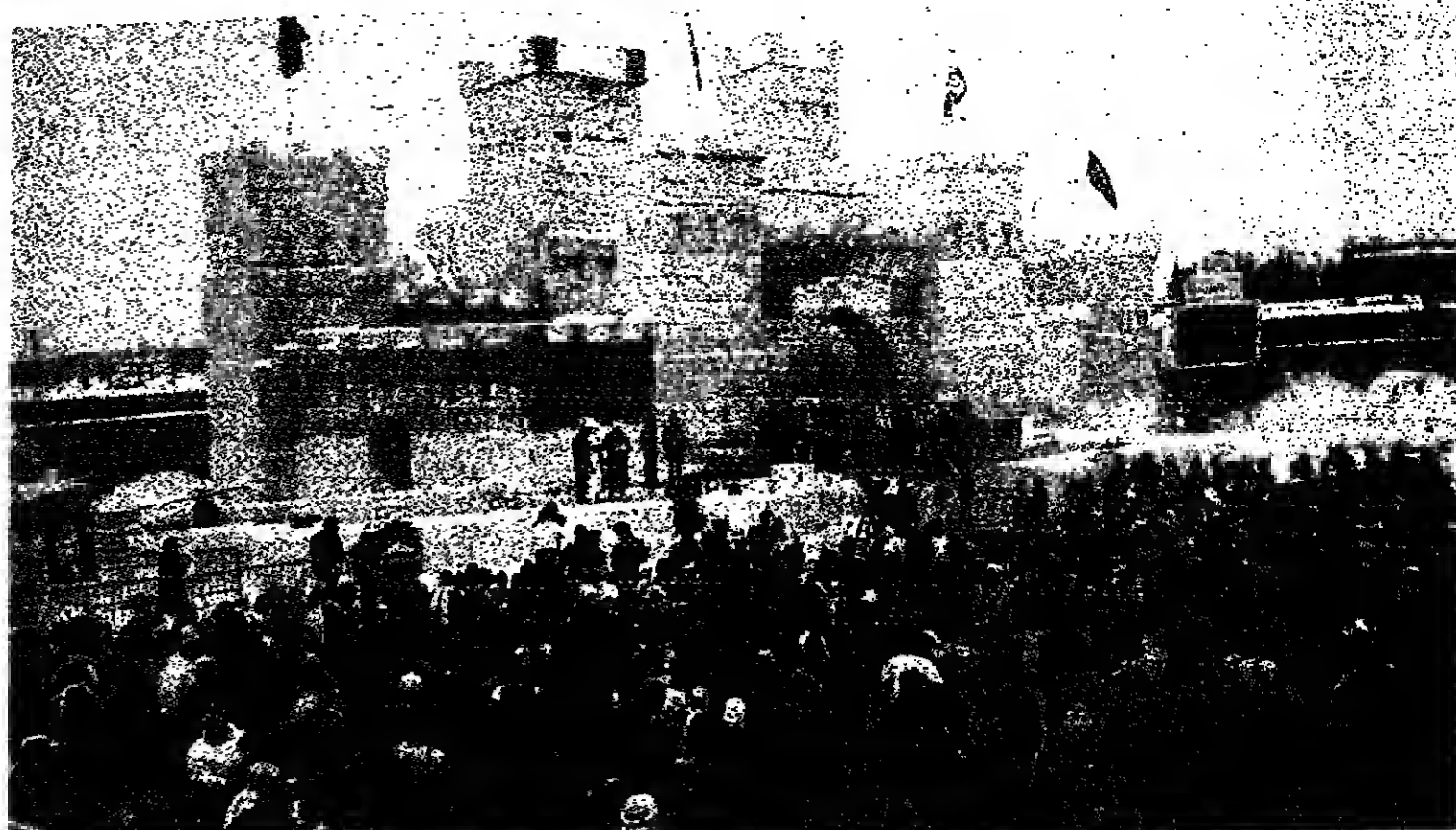
The festivities are centred around the Ice Palace at the Place du Palais opposite the parliament building. It claims to be the biggest compacted snow structure in the world, measuring 70ft high by 60ft wide, and is the official residence of the ubiquitous Bonhomme Carnaval, the world's first and - so far - only full-time professional snowman.

He presides at all events, after which he embarks on a world-wide promotion tour. He looks like the Pillsbury Doughboy after a course of growth hormone therapy and his identity, from one year to the next, is a closely guarded secret.

Le Bonhomme is the official starter at the annual two-mile international canoe race across the St Lawrence which consists of teams of five masochists rowing and then carrying their boats across the ice floes to Levis and back for a cash prize. There are snowmobile races and a prestigious snow sculpture competition on the fields of Abraham the scene of the battle between Wolfe and Montcalm in 1759.

Quebec was founded in 1608 and in La Rue Petit-Charlemagne it has North America's oldest street. The French influence is maintained and cultivated. The best restaurants, like Restaurant Bonaparte, are found along the Grand Allée.

Le Restaurant au Parmesan on Rue Saint-Louis is famed for its minestrone soup and for its owner, Cesar, who will towel down your hair for you when you arrive. He also has an interesting way of maintaining a swift turnaround of covers: he employs an accordionist.



The ice castle at the winter carnival: it takes a certain insanity to enjoy a rave in sub-zero temperatures, but the Quebecois attach great importance to their carnival

Refresher courses in history and body heat retention are available throughout the day at the Battlefields Park Museum which offers audio-visual reenactments of various momentous sieges and Canadian capitulations down the ages.

The carnival's climax is a parade consisting of floats which look like cars covered in brightly-painted tarpaulins strung with Christmas tree lights, which is exactly what they are. There are lots of marching bands with smoking trombones and frost-bitten clarinetists and

high-kicking baton twirlers with goosepimples protruding through their hoisery. Canadians refuse to let either their economy or their social life stagnate in the depth of winter. If you are visiting Canada anyway, the carnival is worth taking in. As

is caribou - in moderation. In London, Tourism Quebec is at Quebec House, 59 Pall Mall, SW1, tel: 071-930-8314. British Airways (tel: 0345-223111) is offering 21-day advance purchase tickets to Quebec via Montreal for £399 until March 31.

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BOOKS

All bark, no bite

Mrs Gaskell deserves better, decides Jackie Wullschlager

"Oh Mrs Gaskell - Fearful - Fearful! If I were Mr G. O Heaven, how I would beat her," wrote Charles Dickens.

BUT HOW dangerous was Mrs G? Like other women writers masked by chattering names - Mrs Radcliffe, Mrs Humphrey Ward - she was a middle class wife who shot out radical novels from behind the shelter of the marriage lines. Her public image was one of charity and good deeds. Was she a seething revolutionary or a busybody who turned the wretchedness of those she helped into sensational fiction?

Mrs Gaskell's life was active, happy, and uneventful. Brought up in a country town, she married at 21 a hymn-writing Unitarian minister from Manchester whose compositions included "Meekly Take Thy Place Assigned". She threw herself into motherhood and social work among Manchester's poor, and in 1848 wrote her first novel of working class life, *Mary Barton*. It was seen as a call to revolution, while a successor, *Ruth*, about a seamstress left with an illegitimate child, was ritually burnt by her husband's parishioners. Charles Kingsley heralded the first book as a "charitable tract but found *Ruth* too powerful: "I don't think I shall go on with it. I am sure it is not going to be pleasant," he said, after 20 pages - he had the same response to *Othello*.

Today these worthy tales seem tame and genteel, but through the 1850s Mrs G thrived on the controversy

they sparked, denied political interest - "No one can feel more deeply than I how wicked it is to excite class against class" - and grew rich on royalties. She became friends with Dickens and Charlotte Brontë, and dreamt of life away from Manchester. At 53, she purchased unseen a large house in Hampshire as a surprise for her husband, sped around collecting furniture, and whizzed south to see the result. Hours after crossing the threshold, she collapsed in her daughter's arms and died.

ELIZABETH GASKELL: A HABIT OF STORIES
by Jennie Uglow
Faber £20, 690 pages

For a biographer, the trouble with Mrs Gaskell is that her life was full of people more interesting than she was, and that her relations with them mark her own limited imagination. A letter to George Eliot, living openly with G.H. Lewes, ends: "I should not be quite true in my ending, if I did not say that I wish you were Mrs Lewes." The difference between Charlotte Brontë and herself, she writes, "is that she puts all her naughtiness into her books and I put all my goodness."

And that is the biographer's second problem: where a study of Eliot or Brontë reveals rich seams of crises, passions and self doubts that fuelled *Attila*, *March* or *Jane Eyre*, Elizabeth Gaskell's even, beautiful life tells unfashionably little about

her work. She recognised as much in answering an enquirer: "I do not see why the public have any more to do with me than to buy or reject the wares I supply to them." She was every inch the bourgeois entertainer, and not at all the alienated artist.

That leaves the biographer with a socio-historical approach, and there is much here - Mrs Gaskell's energy, morality, ambition, her domination of her daughters - that is emblematic of the mid-Victorian age, as well as scope to set the outlook of novels like *North and South* or *Ruth*, which finally low-to middle class respectability, against work by, say, Zola or Hardy, which really did ask inflammatory questions.

John Sutherland, in his life of Mrs Humphrey Ward (1990) showed how the mind of a Victorian writer could be a fascinating focus for the thoughts and dilemmas of an age. But Miss Uglow has no insight into the Victorian world view, and she assembles the minutiae of trivia and detail, of places visited, meals eaten, without ever building them into a general picture. This is biography of the "new year of 1852 began with the usual bustle" (page 299) genre: dull, undirected, humourless and far too long. A good literary life sends one back to the work; this one confirms Mrs Gaskell's own modest opinion, that barely one of her novels bears re-reading. She deserves a holder and more eloquent rescue.



Marcus Aurelius, c.140, in Rome's Museo Capitolino, from "Roman Sculpture" by Diana F E Kleiner (Yale £35, 477 pages). In what is claimed to be the first book in a century devoted solely to Roman sculpture, Professor Kleiner sets the works in their cultural, political, social and architectural contexts

Stark look at virgin territory

J.D.F. Jones on a book about the bits Dame Freya did not mention

ONE OF the curious things about Freya Stark's travel books is that she is *always* falling ill. It comes as a bit of a shock to the armchair reader to realise that this famous maiden lady voyaging to the remotest corners of Arabia was a hypochondriac. We begin to wonder why. But she cannot have been as frail as all that. Tomorrow, in her home in Asolo, she arrives at her one hundredth birthday. Perhaps it is just as well that the old girl is in no mental state to be aware of this new biography.

Molly Izzard, who is herself a long-time Middle East hand, has decided that it is time to de-hunk - to de-mythologise

FREYA STARK: A BIOGRAPHY
by Molly Izzard
Hodder & Stoughton £25, 342 pages

- Dame Freya's carefully presented life story. To do this she has placed herself, as biographer, at front of stage, and described her long and fascinating investigation into the truth behind the legendary image of the Great Traveller. Her exploration of a personality, as she puts it, takes her into territory which Dame Freya (in her voluminous memoirs and published letters) and her faithful friends have always been careful to avoid.

The first 35 years, for example, have had only the sketchiest of maps. Now we can see the semi-invalid daughter of an unhappy middle-class marriage, traumatised and scarred by a head wound and pitted by her Italian fiancé, taking Arabic lessons with the vague idea of becoming a governess in the Middle East. Once into Lebanon with a wealthy woman friend in 1923, Freya discovered her vocation.

But hold on, says Mrs Izzard: she was never a serious explorer: her pre-war travels were very modest and brief affairs, as the local colonial officers always knew, though they were willing to help her and rescue her when she fell sick. Her true gift lay in her writing - "the deft concealment of the practical in the poetic" as the biographer describes it - in which she re-worked the material first drafted in the thousands of letters she used instead of the journal. Dame Freya, it is correctly insisted, is not worthy of the frequent comparison with Gertrude Bell.

That is also true of her war-

time activities when she was posted to Cairo and Baghdad to organise her "Brotherhood of Freedom", the *Ikhwan al-Hurriyah*, a clandestine network of pro-British locals whose importance is hard to assess in these post-Nasser days - a sort of "Greenmantle in reverse" is Izzard's witty comment (Buchan's version was the *Ka'aba al-Hurriyah*). What is clear is that by the end of the war Freya Stark was a celebrity, her reputation as a Middle East expert established, but by no means justified with hindsight.

By this time, and after the necessary passage on Freya's late and absurd marriage to her homosexual colleague Stewart Ferrowne, Mrs Izzard loses interest. There is next to nothing in this book about the past 40 years of Dame Freya's life, and rather too much on the newly discovered family background. There is also too much speculation about motivation.

We are to understand that Dame Freya was in reality an egotistic self-publicist, naive, exploitative and spiteful to old friends, a psychosomatic fantasist who used her symptoms to attract attention, an Edwardian imperialist who never had any sense of Arab nationalism. "Her preferred associates were wealthy, with important connections or influential family backgrounds, preferably rather grand. She had little time for the humble and the obscure except as ministrants to her own comfort and needs, on whom her hand affability and easy manner usually produced a gratified willingness to be made use of..."

This last does at least suggest that she had charm, as her friends would certainly agree. Whether she was in love with her mother - or with her father - and what that meant for her sexuality... well, by now Mrs Izzard is out of her depth.

This book was commissioned by Dame Freya's attentive and long-suffering publishers, John Murray, who, when they saw it, changed their mind. They had earlier declined the eight volumes of collected letters which Dame Freya insisted on publishing in her eighties. But it is worth going back, not just to the 1930s travel books but also to the John Murray 1988 selection of letters in one volume, *Over the Rim of the World*. There is a tone of voice in them which this mischievous, very readable birthday present does not adequately acknowledge.

Like father, like daughter

WENDY FAIREY'S mother was Sheila Graham. Fairley was certain of that. Most people who know anything about F. Scott Fitzgerald know something about Sheila Graham and her "College of One". She was the East End girl who moved from a Jewish orphanage to become a Hollywood gossip columnist and then Fitzgerald's love at the grim end of his days.

Between drinking and writing not-so-good stories to pay for his mad wife Zelda's hospital, he discovered the fun of playing Henry Higgins to a glamorous but ill-educated young woman. The result, according to Sheila who wrote a bestselling book about it, was that she inspired Fitzgerald to produce at least a part of that brilliant novel, *The Last Tycoon*.

All this may seem a long build-up to Wendy Fairley's search for her identity, but the ghost of Fitzgerald hung over her childhood as the father she had never quite had. As it turned out, the father she thought she had was not her actual natural father, and when she discovered his existence after her mother died she was very pleased to acknowledge him - but he too had died, and had done her no favours in life.

To come out with a few names, Fairley's undistinguished first father-in-name only was an Englishman called Trevor Westbrook who, as it turned out, Graham had married as a cover for the birth of her daughter - whose actual father was the philosopher

Rachel Billington

FT Children's Book of the Month Multi-cultural tales

IN THE recent past, collections of traditional stories have tended to be grouped in ways that have emphasised the set-apartness of different cultures. The long-established *Oxford Myths and Legends* series, for example, takes us through Yugoslav folk tales, Chinese myths and fantasies, Irish sagas, French legends, German hero-sagas and much else. What was required - and what the book under review provides - was a single book that brought some

two giants, one Scots, the other Irish, who, though mighty in arms, are dots in the extreme, and the Norse god Baldur, who must learn a painful truth about the relationship between love and death.

Then there are the stories that were told and re-told in response to questions about the mystery of the natural world. Who put the moon and the stars in the sky and why? What is the origin of fire? These are as much questions asked of the imagination as of the reasoning mind. No matter what factual glosses may be put upon them, the answers given in story or fable are just as likely to provide us with equal amounts of heat or light.

The book is divided into three sections: "Earth, Air, Fire and Water", which deals with elemental mysteries and takes in tales from Africa, North America and the Pacific (the best of these is a Nigerian myth, *Water, Moon and Sun*, which describes how the moon and the sun, once happily married, came to suffer estrangement); "Love and Death", which includes the touching Welsh legend, *Budd Geleri*, about the terrible fate suffered by a faithful dog who is killed by his own master for protecting his baby from the wolf; and "Fools and Heroes". *The Wishing Fish*, a Russian tale in this last section, has surfaced in many different forms in the past. When Rumer Godden retold it as *The Old Woman Who Lived in the Vinegar Bottle* in 1972, for example, she gave it an Irish setting.

Some of these tales, it seems, are as doughy, fearless and quite as full of wanderlust as the questing salmon.

Michael Glover

ties to be open to public scrutiny. That stance has become increasingly untenable in the light of recent events, not least the Matrix Churchill affair. Since 1974 Britain has operated the Prevention of Terrorism Act, giving the Home Secretary the right to sentence British citizens to internal exile to Ulster without the right of a trial. We have, in essence, not moved very far from Regulation 10B.

Thus the importance of this book, beyond its historical record, is its timeliness. Simpson, summarising just one element of his investigation, says: "The independent and secret character of MIS enabled it to withhold information and evidence from the Home Office's committee, and to pressure the Home Office into decisions whose merits the Home Office was unable to check, and for which the Home Office was nevertheless politically responsible." Contemporary Britain is glued to the 1940s in quite unpleasant ways.

Britain's security services, backed by government, have long maintained that it would be an absurdity for their activ-

history, with little on the King's piety, his concern for the poor or his artistic patronage.

In my opinion, Hardman is not critical enough of such sources as the denigratory diary of the Abbé de Veri or the hagiographical memoirs of Baron Hén. Nor is he sufficiently forthright about the treachery of Marie Antoinette towards her husband. Not all errors are minor. Far from showing that the King continued paying those bodyguards who emigrated, the papers from the Tuilleries show that he stopped. The posthumous cult of Louis XVI is ignored.

Nevertheless, the force of prejudice, especially about royal figures, is so strong that this is the only sane assessment of Louis XVI in English since his death. The bright light of Hardman's archival research dispels the fogs of revolutionary and royalist propaganda. A different man emerges: energetic, sardonic, rarely influenced by the Queen except perhaps in 1789-9. He could fly into "a towering rage"; different ministers described him as "harsh" or "implacable"; he had a sense of humour (he called Catherine II Madame Potemkin), and a grasp of reality. Although he failed to exploit it in the crucial months May-July 1789, he knew that the *amour propre* of "the bourgeoisie" (his term) was one of the main forces behind the revolution. By July 1789 the Paris mob was uncontrollable and the royal army unreliable. To have survived on the throne, and saved France from civil war, for three more years, was no ordinary achievement.

On the political history of the reign Hardman is generally judicious and interesting. By ignoring the military dimension, he fails to explain why the King lost, or failed to use, *ultima ratio regum*: cannon power. This breakdown of the King's death but with the final realisation by much of French opinion that it was worse than a crime, a mistake. Only 262 pages long, this is a political



Cruikshank's view: Philippe Egalité with the head of Louis XVI

Victim of the Revolution

Philip Mansel discusses a much maligned monarch

francois first, thereby losing the power to realise it.

Few kings, however, have faced such difficulties - and such treachery. Beneath a show of obedience, members of his family, and some of his ministers, pursued policies hostile to his own. Hardman shows that the Comte de Vergennes, one of the greatest foreign ministers in the history of France, a confident and favourite of the King, intrigued against the King and Queen during the Diamond

Necklace Affair in order to bring witnesses favourable to the Cardinal de Rohan back to France. The Finance Minister and popular idol Neckar sabotaged the *Séance Royale* of July 1789. The Right in the National Assembly was as ready to flout the King's will as the left.

John Hardman's biography coincides not just with the two hundredth anniversary of the King's death but with the final realisation by much of French opinion that it was worse than a crime, a mistake. Only 262 pages long, this is a political

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Murky world of the secret service

Gary Mead on security during the war, considered MIS's finest hour

imprison, without trial and often without stated accusation, thousands of British and foreign citizens.

The most famous case, that of Sir Oswald Mosley, head of the British Union of Fascists, is still remembered; but Brian Simpson's meticulous study examines the blundering paranoia which led to the far worse treatment - including physical and psychological brutality - meted out to many other, forgotten names.

There are some grimly risible moments. In the House of Commons one MP critical of the round-ups, Richard Stokes, drew attention to the arrest and five month detention of a woman who had two children. When MIS had searched her house "a diary was found for 1938 with the entry 'M.49

Destroy British Queen. Install Italian Queen." It took MIS six weeks to find out that this lady kept bees, and that this entry referred to a method of improving the breed of bees." No matter; they still kept her inside for another 14 weeks.

Brian Simpson's book indicates that at times of high stress neither the British constitution nor its legal system are sufficient to safeguard abuses of power by secretive elements of the executive. On May 22 1940 parliament, which had been led by both government and the executive as to the full scope of the legislation, passed the Emergency Powers (Defence) Act, "which formally conferred on the executive the powers appropriate to a totalitarian state at war." That night the privy council

passed regulation 18B (1A), which was to be used to detain without trial not just members and former members of the British Union but also those who had never been associated with it. Mosley was arrested on May 21.

Regulation 18B came into existence precisely because MIS could discover no proof of Mosley's organisation being funded or controlled by Nazi Germany; one of its clauses provided that it was sufficient

for an organisation to be subject to foreign "influence", and on that basis the BU was rounded up. At the same time, the certainly foreign-influenced and controlled Communist Party of Great Britain, which, unlike the BU, had considerable scope for causing industrial unrest, was left unbind-

ed. Mosley was a relatively easy target; his patriotic fascism had no real toe-hold amongst the general public. But in the process of bypassing laws to stifle an anti-democratic organisation, the future branch of the executive chipped off another protective layer of British civil liberties.

Britain's security services, backed by government, have long maintained that it would be an absurdity for their activ-

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BOOKS/ARTS

Just a bundle of energy

A.C. Grayling goes in search of the grail of fundamental physics

SCIENCE has advanced so dramatically in the 20th century that its practitioners often feel, says Steven Weinberg, like "Siegfried after he tasted the dragon's blood, when he found to his surprise that he could understand the language of birds". First, Einstein's relativity theories changed our concepts of space, time and gravity. Later, quantum mechanics dissolved the world of material particles into wave functions and probabilities. And then the marriage of relativity and quantum theory produced a surreal world of hidden symmetries in which the concept of matter no longer figures.

This is heady progress. Part of Weinberg's aim in his stimulating book is to tell how it happened and what it means. He is well-equipped to do so; in 1979 he won the Nobel Prize for physics, and later wrote a famous popular account of the origins of the universe, *The First Three Minutes*. But Weinberg has a second and for his own purposes more important aim, which is to argue in support of a dramatic "Big Science" project aimed at exploring hitherto unreachable levels of physical reality.

In the last two decades, Weinberg says, particle physicists have been frustrated. The reason is that theory has outstripped experimental capacity. Theorists have leaped ahead in conceptualising the deep structure of the universe; but to test their ideas new laboratories are needed, unprecedentedly large and expensive. This book states the case for building them.

It is a topic close to Weinberg's heart. He is head of an \$8bn project in Texas to construct a Superconducting Super Collider (SSC), a 53-mile-long oval tunnel in which protons can be smashed together at energy levels far greater than those now experimentally possible. The results promise a dramatic increase in scientific understanding.

In testifying to Congressional funding committees on behalf of the SSC, Weinberg found that he had to explain the recent history of particle physics, its present deadlock, and the discoveries that an SSC promises. He also found himself defending fundamental physics against its critics, among them other scientists wishing to promote their own research in the fierce competition for funds. An obvious format for a non-specialist statement of Weinberg's case is a book; and here it is -

highly literate, comprehensive, challenging, a survey of an exciting and extraordinary field of enquiry by one of its leading figures.

Weinberg's task is to describe the current "standard model" of elementary particles and forces, and to explain why it is from an impasse. The model results from marrying relativity and quantum mechanics, which are mutually incompatible in all but a very few interpretations. The standard model is the best of these few. In older theories, atoms were conceived as miniature planetary systems with electrons orbiting a nucleus. The new model argues that there are no particles as such, only bundles of energy in various fields. Fields are modifications of space, and there is one for each type of particle. Electrons are energy bundles or "quanta" in electron fields, photons are quanta in

DREAMS OF A FINAL THEORY
by Steven Weinberg
Hutchinson Radius £16.99, 260 pages

electromagnetic fields. The nuclear particles are themselves compounds of more elementary quanta, "quarks", each with their own fields. These phenomena are described by field equations, and their interactions - the strong and weak nuclear forces, the electromagnetic force, and gravity - are governed by the general principles of quantum mechanics and relativity.

This model has proved highly successful in its predictive and explanatory power. But it is full of problems, which theorists have been trying to understand and which SSC-type experiments might resolve. The chief is that, although the standard model offers some success in unifying the electromagnetic and weak nuclear forces, it does not unify them with the strong nuclear force. Still worse, it has no way of describing gravitation in terms of quantum field theory.

The aim of deriving a unified theory for all nature's forces is therefore at a standstill. Such a theory is the grail of fundamental physics, and would, in Weinberg's view, constitute the "Final Theory" about physical reality. Theorists offer proposals, like "superstring theory", to overcome the standard model's difficulties. But only SSC-type experiment can turn such

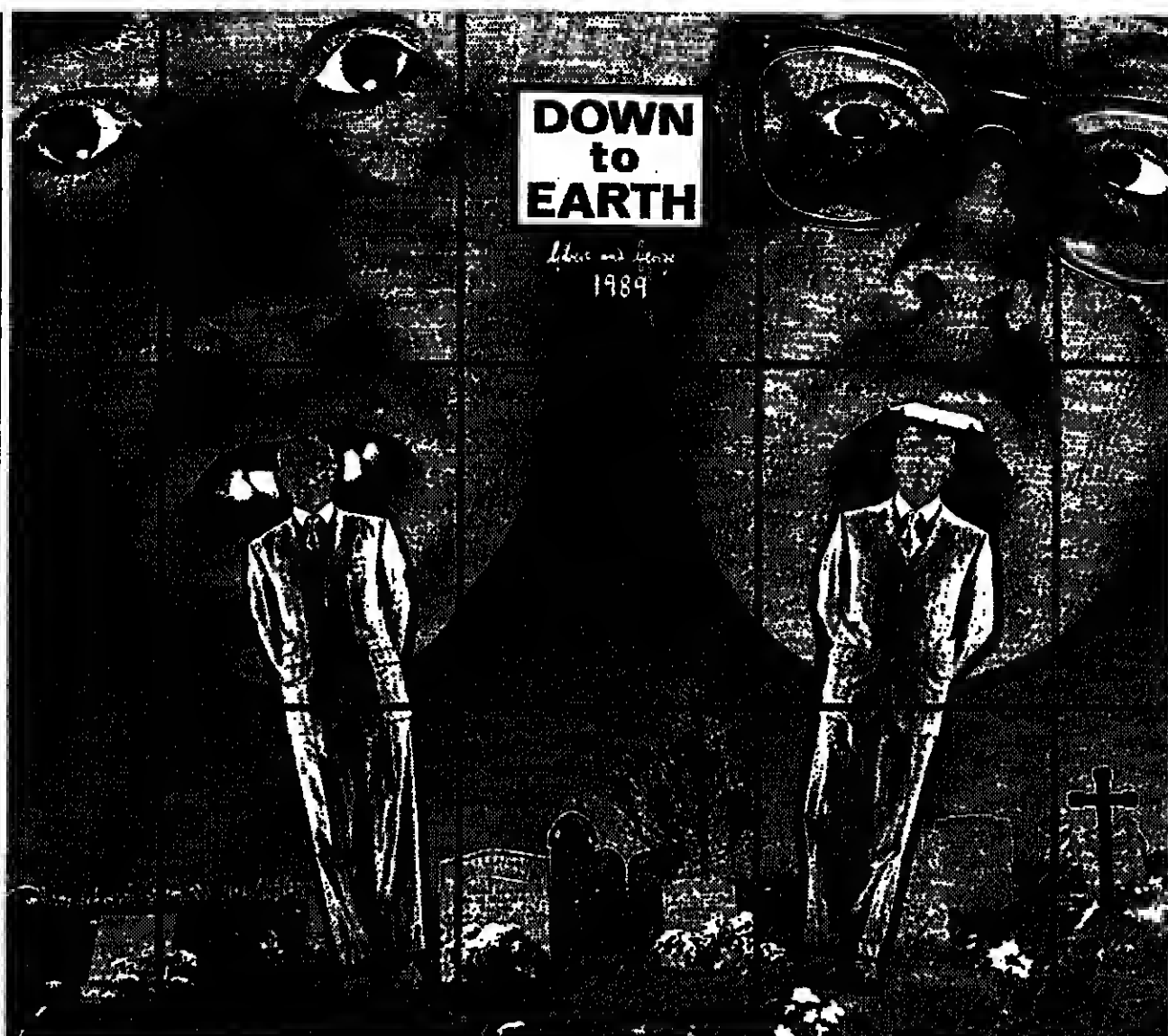
guesses into progress.

Weinberg promotes the SSC as a key towards discovering the final truth about the universe. This involves him in two controversial commitments. First, he is a realist about the standard model; he believes that field theory describes the world as it really is. And therefore, secondly, he is a reductionist about particle physics; he believes that all other sciences rest on it, and "with enough computer power and time" can be explained by it. These beliefs involve him in quarrels with fellow-scientists unpersuaded by reductionism, and with philosophers unpersuaded by realism.

Many biologists count among anti-reductionists. They see living organisms as having "emergent" properties inexplicable on the basis of microstructure alone. Emergent properties are those which complex systems have but their parts lack; consciousness, and life itself, are examples - neither seem inferable from an organism's underlying physics. Even some of Weinberg's fellow-physicists, those working on condensed matter and low temperature phenomena, are unpersuaded that particle physics answers their questions. These issues are profoundly important, and not just because billions of research dollars turn on them.

Weinberg is right to oppose those philosophers who scientifically filterate relativism leads them to think that science is merely one among many ideologies, and - according to some - a "sexist, racist and imperialist" one at that. But he misunderstands Positivism, which he defines as the claim that science should avoid talk of unobservable entities and forces. Positivists indeed allow such talk, but treat it as purely instrumental in helping us to construct useful theories. Weinberg believes that one can deduce a theory's truth from its utility, but Positivists deny this; Ptolemy's geocentric astronomy worked for navigation and prediction of eclipses, they point out, but we do not think it true.

Weinberg's controversial claims are stimulating and the whole issue of fundamental physics, now at a crucial point in its history, is immensely important. The question is: should we invest further huge sums in attempts to understand the universe, with so many other demands on our purse? Weinberg has written an important, and an exhilarating, book in urging the affirmative answer.



'Down to Earth', 1989 one of Gilbert & George's Cosmological Pictures at the Tate Gallery, Liverpool

Odd couple comes home

THE Cosmological Pictures, a series of 26 works made by Gilbert and George in 1989, are finally installed at the Tate Liverpool after a tour of 10 European countries including Poland and Hungary. They arrived at the Albert Dock just as a show of the artists' newest works, the New Democratic Pictures, was coming to a close at Anthony D'Offay in London.

For their admirers, then, the past few months and those to come provide a welcome chance to catch up with the latest works of these remarkable artists. For their detractors, this feast is an indigestible reminder of just how celebrated they are abroad, while continuing to arouse controversy at home.

The London show was criticised by many and for many reasons - the artists' nudity, a feature of many of the works, was declared to be embarrassing, that of their young male models exploitative, their subject matter at the same time both shocking and stale. Let us examine the case.

Gilbert and George's work deals with themselves. They are both its subject and its content, appearing in almost all of the highly coloured, large scale photopieces which have been their established style for over a decade. In the mid-1970s, when the photopiece form was first being developed, they were their only subjects. They recorded their activities (heavy drinking, mostly) or, alone in their empty house, their feelings and moods. Then, gradually their eyes moved outwards. Street scenes and passers-by began to appear, the locations around their home in Spitalfields. The streets are grimy and litter strewn, the people who walk them poor and seeming sad, the towers of the City rearing over them, close by but detached. The walls speak. Graffiti gives the works their titles: "Are you angry or are you boring?" "Communism", for example, as well as, and tellingly, "Bent", "Queer", or "Prostitute Pool".

For Gilbert and George are homosexual, familiar with that public fear of "otherness" that hostile scribbles express. But they are fearless. In their early days in Spitalfields, living in the basement of the house they now own, they tell of stones flying through the window, of being chased down the street, running for shelter in their "responsibility suits", the fabled matching three hutton

tures show the same canny knack of summing up the state of our current everyday world while evoking the artists' place both as part of and commentators on it. "Edger" shows a young man in profile and full face superimposed over a busy city street. While he is perfectly ordinary, tough-looking in his T shirt and jeans, his placing in the composition and its title make us think about

End", an astonishing presentation of an ideal world of beauty and order which does not exist but for which we all long. That it is evoked via the persons of two men in neat suits and an array of beautiful boys should not necessarily shock. Caravaggio's models were rent boys, after all, and an artist's repetition of a favourite subject is not usually a cause for complaint. No one questions the transcendence of Matisse's endless interiors or Picasso's tortured nudes. Artists, by their obsessive grappling with a chosen subject, make it matter for us, too, make it universal. By showing us their world, their strange self-defined and intense universe, Gilbert and George show us something of ourselves.

In September, their work will be seen in Beijing. What, I asked, did the Chinese make of it? For the Chinese, they told me, their work is about being an individual, discovering what an individual is. This response Gilbert and George find both satisfying and exciting. "To enter that debate is vital while we are still alive." Indeed it is, and for us all.

Gilbert and George: The Cosmological Pictures. Tate Gallery, Liverpool, until March 14

Lynn MacRitchie explains what Gilbert & George are all about

suits they have worn since the days when they first declared their mission in life. Law 2 of "The Laws of the Sculptors", written in 1969, states "Make the world believe in you and pay heavily for this privilege." This dedication to their art goes along with a declared aim of making it as clear and understandable as possible. Thus they have forged a style like no one else's, a style which blends their own intense preoccupations - themselves, their immediate surroundings, the bodies of beautiful young men - with a few props - jewel-like colour, the use of flowers, trees and statuary - into an emblematic language of rare power. The Cosmological Pic-

ture again, about his place in the world, as marginal, as threatened, perhaps, as well as threatening. Works such as "My World" or "All" showing young men in compositions with flowers, make very clear the nature of the artists' sexual feelings while presenting them in a symbolic and romantic way. "Blood Heads" and "Down to Earth" make clear too some of the dangerous consequences of the fulfilment of desire, while "Big Hole" with its central image of a flowering tree, offers if not hope then perhaps consolation. None of these is perhaps quite as powerful as a key piece of 1982, "Life Without

OLD hippies don't die, they just fade into Thomas McGuane novels. His tenth, *Nothing But Blue Skies*, features Frank Copenhagen, a wealthy Montana businessman who has lopped off his pony tail and padlocked the medicine cabinet in order to become seriously rich. His flirtation with manna ends just after his 44th birthday, however, when his wife Gracie leaves him for a New Age anthropologist. Frank becomes comprehensively and hilariously unhinged, squandering his assets, embarking on bizarre erotic dalliances and, ultimately, landing himself in court. It takes his daughter's affair with a right-wing politician to bring Frank back to his senses.

McGuane has never written more precisely or more hilariously about that generation which graduated from listening to Jefferson Airplane to checking up on the Dow Jones average. Frank is a fitting hero for the times, steeped in nostalgia for a better age yet wise enough to realise that the present day is all he has got. Although the hook fits with high-mindedness - such as the message that if you rape the land she will eventually press charges - McGuane keeps things moving along with a series of raucous escapades, most notably when Frank unwittingly rides a prize pig through the State Fair. The result is a funny and apt survival guide for every lapsed hippy who feels bad about selling out but does not quite know what to do about it.

Spiritual dislocation of a very different sort is on offer in *The Man Who Was Late*, its author, Louis Begley, could

Fiction/Stephen Amidon

Spiritual dislocations

justifiably be called the novelist who was late - after a distinguished career as a New York attorney, Begley made his literary debut last year with his award winning *War-time Lies*, a tale of a young boy's escape from the Holocaust. His second novel covers similar themes. This time, the hero is Ben, the son of Jewish refugees who, fleeing a traumatic if unspecified past in Hitler's Europe, reinvents himself as a suave international financier. The toll this spiritual sleight-of-hand exacts on his heart and soul is great, most tellingly on his relationships with women.

Begley is a novelist of extraordinary sophistication and sensitivity, with ambitions that seem to bypass much recent writing and head straight for Proust territory. His Ben is a scarily precious creature, a man who has enveloped a troubled soul with epicureanism and eroticism, thereby refining himself to the point of non-existence. Indeed, some readers might find themselves a hit worn by Begley's occasionally cloying irony and detail. This said, his novel remains a compelling examination of the dangers of denying a damaged self.

Childhood scars are examined in a more forthright manner in Dorothy Allison's *Bastard Out of Carolina*. The

NOTHING BUT BLUE SKIES
by Thomas McGuane
Secker & Warburg £16.99, 349 pages

THE MAN WHO WAS LATE
by Louis Begley
Macmillan £14.99, 201 pages

BASTARD OUT OF CAROLINA
by Dorothy Allison
Flamingo £5.99, 309 pages

THE LONG NIGHT OF THE WHITE CHICKENS
by Francisco Goldman
Faber £14.99, 450 pages

bastard in question is Ruth Anne "Bone" Boatwright, a young member of an extended South Carolina family who could be classified as white trash. Despite being raised fatherless in grinding poverty, Bone's 1980 childhood is not without its moments of happiness and security. But then her mother marries the malevolent Daddy Glen, a darkly jealous creature who breaks Bone's hopes and molests her, even as his wife is in labour. Bone's lonely battle against this man and the brutal patriarchy he represents

are the meat of this powerful first novel

Although Allison covers oft-ploughed territory here, she writes with sufficient passion to make this an engaging read. Her portrait of rural poverty is convincing and not without its humor, embodied particularly in Bone's hard-drinking, hell-raising uncle. But the book's real strength lies in Bone's voice, so believably rendered that the reader is willing to accompany its speaker even through the darkest parts of her journey to womanhood.

Another victimised woman is the focus of Francisco Goldman's first novel, *The Long Night of White Chickens*. It tells the story of Flor de Mayo, a Guatemalan girl who is plucked from an orphanage to serve as a maid for a Boston family. They adopt her as one of their own, especially sickly young Roger, who loves her as a sister and perhaps more. After graduating from an elite American college, she returns to her native country to run an orphanage. Only to be murdered in mysterious circumstances. Roger's attempt to find the truth behind her death forms the novel's central narrative.

Goldman writes with authority about modern Guatemalan politics and culture, displaying a keen nose for the dark absurdity of Latin America, where the powers that be refuse to investigate murders yet are all too happy to change without notice the directions of all the country's one-way streets. Unfortunately, Goldman's narrative is too pocked with digressions to pull the reader along, making the novel far more effective as a rumination on failed love than as a murder mystery.

Compulsively nasty dreams

point - compulsively readable and no doubt their content will be given serious intellectual consideration in some quarters.

D M Thomas's obsession with sexual perversity and death is supposedly rendered respectable in the case of *Pictures at an Exhibition* by his interest in psycho-analysis and the after-effects of the external-

nation of 6m Jews in the last World War. In the Kennedy book, Thomas's masturbatory fantasies about nuns and Kennedy are prefaced by the fuzzy assertion that "fiction is a kind of dream and history is a kind of dream and this is both". But few people have such nasty dreams as Thomas.

The same D M Thomas is a poet of some stature (winner of a Cholmondeley Award in 1981; *The Puberty Tree, New and Selected Poems* is published by Bloodaxe Books, £8.95) but you would never guess it from these two offerings. In both, he uses mainly dialogue or some form of confessional narrative - letter, journal or a transcript of an analytical session - and so the language is reduced to the level used by his characters in everyday life. Poets do not necessarily have interesting minds outside their poetry. *The White Hotel* succeeded largely because of the transformational power of the heightened language in which it was written. Take that away and what you have left, as

here, oscillates between the banal and the absurd.

Pictures, for example, opens with the first-person accounts of Galewski, a Jewish doctor

PICTURES AT AN EXHIBITION
by D M Thomas
Bloomsbury £15.99, 278 pages

FLYING INTO LOVE
by D M Thomas
Sceptre £5.99, 261 pages

whose medical qualifications give him privileged status at Birkenau and whose psycho-analytic experience is sought by the German Dr Lorenz. We then shift to a middle-aged woman in 1991 and read verbatim her first session with a young trainee therapist, Chris, who is himself being analysed by an elderly and infirm Dr Jacobson who may or may not be related to one of the doctors in the Birkenau section. Jacobson's other student therapist,

Rachel, has an obsession about a massacre of children at Eyelaya Tserkov: both she and Chris are obviously totally unsuited to their new profession. Jacobson knows this, so what is he up to?

The story is cleverly convoluted and there are generous helpings of illicit sex between the various protagonists as it unravels. The chapters are named after paintings by Munch, which are given further consideration during an exhibition organised by Jacobson's wife, where Munch himself appears to talk to one of the more deranged characters. The shock ending, which is presumably meant to be enigmatic and thought-provoking, comes across as merely melodramatic and cheap.

Melodramatic and cheap are also the words that spring to mind to describe the Kennedy book. This is idol-bashing taken to psychopathic extremes and is interesting only as an example of the depth to which a once-talented writer can sink when he picks the wrong topic. It's a real stinker.

Alannah Hopkin

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XX



I LIVE in Notting Hill, where I often see a rat, a large and friendly rat - Rasta. I call him. For all I know there may be 20 or 30 rats involved, coming and going, performing their chores and tasks, but to me he is a composite, droll and disconnected. I imagine he lives on dope.

My affection for Rasta the rat is not shared by Miss Lee, my executive assistant, a Yorkshirewoman and a Thatcherite. Whenever I say I have seen Rasta she flies into a rage and telephones Westminster City Council, demanding to speak to the rat-catcher. Westminster City Council lives in awe of Miss Lee, and immediately sends a rodent officer (or operator, or operative) who peers down manholes and leaves bits of cheese that he

Being incorrect with buxom hackettes

Michael Thompson-Noel

**HAWKS
&
HANDSAWS**

the moment, with differently weighted somewhat to the rear. Or you can talk about a person with an alternative body image.

Spinster? Use, rather, single-by-choice. An old maid is now a single-by-choice senior citizen.

Jungle? It has derogatory associ-

ations. Use tropical rain forest.

Hackette? The addition of "-ette" to any standard (male) word is now far beyond the pale. So out go suffragette, hackette, bachelorette and, especially, says Rees, major-ette. Yet I am fond of majorette. It is a word with resonance. I am even fonder of hackette. To put things bluntly, hackette is not a word I plan to stop using. It is a beautiful word that means female journalist, and is apposite in the extreme.

The reason I say this is that all the female journalists I know wear exceedingly short skirts, fishnet stockings, down-at-heel boots and

orange make-up. They are strident and manipulative. Many of them bite their nails. Their hair can be quite greasy. They smoke and they curse and often, at lunchtime - I have seen this with my own eyes - they consume erotically-named cocktails and £30 bottles of wine while thrusting their blousy charms on anyone who will listen to them. They are... hackettes, and ever more shall be so.

Nor do I ever plan to stop using beautiful, brassy words like fat, buxom, fleshy, vagrant, spinster, human, burglar, broke or boring.

Nigel Rees explains that many PC coinages are not jocular inventions, including the -challenged suffix designed to portray personal disadvantages in a more kindly light -

ethnically challenged for Jewish, morally challenged for criminal, metabolically challenged for dead. And he picks his way with care in explaining how PC in its weirder, more threatening forms should be distinguished from efforts to find appropriate and inoffensive expressions - justified euphemisms - for describing, for example, people with physical or mental disabilities ("Down's syndrome" for "mongolism").

But he warns us of the consequences when everyday realities are dressed up over-tastefully and ambiguously so as to pander to the squeamish. And he laments the tendency of the PC movement to replace direct and colourful words with dull, lifeless ones.

Next week I plan to use the word hackette 90 times a day. And fat. And fleshy. And buxom. Buxom buxom buxom buxom. I also quite like wnp.

Private View/Christian Tyler

A German doctor at Britain's bedside

ROBERT Bischof is a German manager who has spent half his life destroying Britain's manufacturing industry. Now he wants to rebuild it.

He has taken his ideas to John Smith, leader of the Labour Party. Why Labour?

"In the UK, it's a social stigma for businessmen to vote Labour - but that's Labour's fault. In my country, it's quite different. I don't support them out of political allegiance but because of economic necessity. I feel they are close to changing the British system to something that can work."

The Conservative government could not do it, Bischof said, even if John Major wanted to, because it had got itself stuck in an ideological cul-de-sac. "For example, 'trickle-down' has turned out to be absolute rubbish. Aspirations for getting richer are so limited that if the rich can keep it to themselves they will never let anything trickle down."

So Bischof has decided that industry's last hope lies with Labour: provided, that is, the Labour party can be persuaded to give up class war, throw away its cloth cap, look attractive to the middle classes, embrace regulated capitalism and strive for a social market consensus along German lines that will put an end to the stop-go, politicised management of the economy for ever.

His proposal is revolutionary but not new: it was much canvassed in the 1970s. What is new, says Bischof, is the urgency. Like the car on the roller-coaster, the British economy emerges weaker and slower from each recessionary plunge. And with President Clinton in the White House and Labour chewing over its fourth general election defeat in a row, he thinks the time for the Big Idea has arrived.

Bischof has two excuses for his alien presumption. The first is that he has lived and worked in England for 35 years, regards it as home and wants to go on liking his adoptive country.

The second is that he knows only too well how easy it is for a foreign

company entering the boom-and-bust British market to cut the native opposition to shreds. He has done it himself.

In 1967, he was sent by Jungheinrich, a Hamburg manufacturer of fork-lift trucks, to start up an import and service network in the UK. In those days, 90 per cent of trucks sold in Britain were made in Britain. Today, 90 per cent are imported, or made in the UK by foreign-owned companies.

"Why does it happen?" Bischof said. "We (he means 'we British') are very innovative. When my kids were playing with computers, my brother's kids in Germany could still not even spell the word."

His Manchester company became the biggest of Jungheinrich's European offshoots. "It's not because our managers are cleverer than those in British companies," he said. "The difference is they take a long-term view and their system is transparent."

"British managers have got one arm tied behind their back, one leg in plaster and a blindfold on. They have been given a tough time, which is why I say it was a relative walkover to destroy their manufacturing base. We've got to get a better system."

Bischof agrees with Germany's president, Richard von Weizsäcker, that it is not people but the system that determines the success or failure of an economy.

"Under communism, for example, you could work yourself to death and get nowhere. That is very true for Britain, too."

"You don't have to be a socialist to want what I am proposing: you just have to be intelligent. As Sir Ralf Dahrendorf (warden of St Antony's College, Oxford) says: these days you can't be anything but a social democrat. These up and downs are destroying the social fabric - resources, capital, everything."

Bischof has other credentials to buttress his opinions: he is one of the 100 managers chosen by the German chancellor to sort out the state conglomerates of former East Germany.

Working from what used to be

Goering's air ministry in Berlin, Bischof has for the last two years been finding western buyers for the viable bits of a big engineering combine. Four thousand workers have been kept; the other 14,000 are being re-trained.

Bischof is no demagogue. He speaks quietly, even inaudibly, interposing an interrogative *Ja?* every couple of sentences.

Occasionally, he lets loose. For example, he says Anthony Barber and Nigel Lawson, the Tory chancellors responsible for the two big artificial booms of the post-war

period, should be awarded the Iron Cross for services to German exports.

He has the modest Major-esque appearance you might expect from his background: economics at Hamburg University under Prof Karl Schiller, later West Germany's economics and finance minister, an apprenticeship in banking (apprenticeships are still normal in Germany), and a first job as assistant to the managing director of Jungheinrich.

His father, a master baker, spent time in Doncaster and Northern Ireland as a prisoner of war. The two sons were born in their grandfather's house on the Baltic island

of Rügen in former East Germany where the family had retreated from the British bombing raids over Hamburg.

It is Germany's post-war example that Bischof would like Britain now belatedly to follow. During the post-war liberal-capitalist era of which Ludwig Erhard was the chief architect, the left-wing Social Democratic Party (SPD) lost election after election.

In 1959 it moved to the centre, changed its constitution, became a people's party instead of a working-class party and was rewarded

purchase. Both are totally ludicrous, and would be impossible in a well-structured system."

What would a well-structured system look like?

Bischof said Britain should stop trying to compete with low-wage, developing countries. Labour should be more expensive, not less, to encourage investment and quality output. It should be harder, not easier, to fire workers, and mass redundancy should cease to be the cheapest option. Unemployment benefit should be seen as an insurance award and raised, not cut, so

and life companies might, as in Germany, have their equity portfolios restricted and be barred from buying the shares of highly-gearred companies. Government reliance on the interest rate - a tax on industry and the less well-off - was "a big mistake" and should be abandoned as a means of controlling demand.

I asked Bischof whether people would listen to a German telling them what to do.

"I think it's half and half. It's not possible to go through the official channels of the Confederation of British Industry and so forth. (He called the CBI "intellectual dwarfs"). On the other hand, people listen because I have done it, in a way. I have been successful in Britain. I helped to destroy part of this industry that I worked in. I've done all the damage to the British balance of payments."

"But I want to live here. I like living in Britain. My kids want to make their lives here, and I am very worried. This is a super country which is slowly and surely going down the chute."

"Sometimes people say to me: 'If you're not satisfied, why don't you push off and live somewhere else?' But I live here because I like it. I sometimes think I'm the only one who does."

Why do you prefer it to Germany?

"I think it's the degree of personal freedom one has in the UK. I like the people, maybe particularly here in the north."

"And the whole social environment - though I do realise one lives in a slightly false world if one

Robert Bischof spent years knocking the stuffing out of British industry. Now he thinks it can only be saved by a German cure - applied by the Labour party

with office when Erhard's boiler ran out of steam.

The British Labour party must break its historical ties with the unions, Bischof said, and political parties must be publicly funded. It must tear up its class roots and reform the welfare state along economic, not ideological, lines. "Some ideas are good for the heart but also make economic sense. We are not just do-gooders."

Governments should protect and regulate both sides of the market equally. "For me, Mickey Mouse in Fleet Street being paid, although he never turned up, is as vulgar and horrible as a 35 per cent APR (annual percentage rate) on hire

that demand did not collapse during recessions."

Top executives, the new Brahmin caste, should be statutorily accountable to supervisory boards which would recognise that employees, as well as shareholders, have rights. Directors would have to negotiate their pay and justify their plans.

"Takeovers are far too easy in Britain. I would force companies to make a five-year business plan, with investment, research and development, product development, export quotas, and not just let them get away with milking and destroying assets."

As a further discouragement to short-termism, the pension funds

lives in a well-off suburb such as mine."

But isn't it precisely what you like about England which is at the root of the problem? Doesn't this easy-going nature, this dislike of order and regulation, make the kind of reform you're proposing impossible?

"That's a very good point. But I don't think you have to give up personal freedom to have a certain amount of order in public life. Built into capitalism, into democracy and the free market concept is a very self-destructive element. We must make sure our values don't get destroyed by excessive freedom."

Britons, said Bischof, are innovative, lateral-thinking and creative. They have to be. That can also make them chaotic. Germans, on the other hand, are too programmed, too bureaucratic, and have a propensity to run round like headless chickens when things begin to go wrong - as they are now beginning to do.

"Of course Germany has made mistakes - the system is too complicated, and excessively social (he means welfare-minded). We (the British, that is) must keep our strengths and at the same time find a good framework. I did that in my own company."

"It's typically German to do things 150 per cent - history has shown us that not a few times. But I don't think we're in danger of getting anywhere near 150 per cent here. If we could just get to 75 or 80 per cent, that would be marvellous."

Truth of the Matter

A mid-winter pilgrimage

MAKING A pilgrimage to Athens in midwinter has much to recommend it. Strong winds pummel at the city's miasma of smog, and temperatures are rarely more than a little fresh. Tavernas put out tables on the pavement, and women are in furs for status, not insulation. But it is timely for more than considerations of comfort. Athens is celebrating a birth. The city invites you to pay your respects to its most nimble and long-lived offspring: democracy, born here 2,500 years ago.

As one might expect, given the recent collapse of walls and iron curtains, much is being made of the anniversary, with scholars and politicians joining all sorts of jamborees. I made my own visit last month, for a conference organised by the American School at Athens, called "The Archaeology of Democracy."

To be a pilgrim to democracy's birthplace is more satisfying than the history books might imply. Relatively little is known about the supposed progenitor of Athenian democracy, Kleisthenes. No statues exist to him, and rightly so, perhaps.

Such frugal sources as we possess regarding him suggest that he is a wheeler-dealer: not a man of the

people, but an aristocrat seeking to upstage rivals by engaging popular support. Kleisthenes is credited with a series of manoeuvres during 508 and 507 BC which included a decimal system of voting districts (designed to reflect the interests of rural as well as urban areas), and a five-hundred strong council elected by those districts. Whatever Kleis-

described as "civic". Democracy in classical Athens never sold itself short. The Athenians were proud of it: they made a fetish and a cult of it. Democracy was still infantile when Athenian citizens went to defend it against invading Persians. The Battle of Marathon in 490 BC, when the Persian hordes were held off Greece by

revealed not only the foundations of the various council buildings and meeting places in the Agora. Much of the minutiae of democratic protocol has also emerged. Ballot boxes, voting tokens, little water-clocks for timing speeches: these testify to the scrupulous building-in of safety devices to protect the system from corruption.

There was always the fear that someone might aggregate too much power for himself: hence the process of ostracism, introduced very soon after Kleisthenes, which served as an annual opportunity for the citizens to banish anyone looking too big for their boots.

It was a quaint process: names were inscribed on old shards of pottery, and by a simple majority the person with most shards (ostraka) went into exile from the city and its hinterland for ten years. And it worked simply: the popular assembly (the *ekklesia*) decided whether to hold an ostracism vote; that decided, so long as the basic quorum of 6,000 citizens voted, the most unpopular nomination departed Athens within ten days. After his exile, he returned to take up full citizenship.

Examples of the inscribed shards survive by the thousand: you see a nice range of them in the Agora Museum.

One can hardly help thinking of



Classical Athens: Thomas Jefferson found his political ideal there

modern equivalents for some of these processes. So it might be convenient to see ostracism as simply replaced with ordeal by media: in cases like that of David Mellor, the "popular" press certainly justified its campaign as being in "the public interest".

But wandering about the ruins of Athens, it is not so much the familiarity of democracy as its peculiarity that strikes one. Take the site of the popular assembly, the *Pnyx*: a terraced hillside where the popular assembly met. True, it could only accommodate 6,000 citizens - roughly one fifth of the voting pop-

ulation - but this is still an astonishing proportion of voters actually involved in decision-making.

The more one ponders the natural habitat of these ancient political animals, the more one realises the extent of the gulf between their concept of democracy and our own.

Apart from the widespread indifference shown towards politics by the citizens of most modern democracies, there is the matter of time: unless you had slaves and other types excluded from politics (in ancient Athens, that included women and foreigners), you would hardly have time to get so involved

in "people-power". And is a device like ostracism really akin to the strategic snuff campaigns conducted by newspapers reliant on snuff (political or otherwise) for their sales?

In this respect the ruins of Athens are misleading. The city was highly self-conscious about its image. The monuments of Athenian democracy are easily confused with the monuments of Athenian imperialism, and become loosely re-employed as tokens of order and stability. Thus the Greeks are using the Parthenon as a backdrop to their claim to the name of Macedonia, and IBM likes to use the Parthenon as a symbol of computers which never go wrong.

The totemic force of Athenian ruins lulls us into a sense of familiarity with their political system. We tend to overlook the fact that democracy was designed for a city-state, not a nation, not even a community of nations. We tend to overlook the fact that it had an economic basis completely different from the basis of market forces.

Were it possible to recall Plato and Aristotle - neither of whom regarded democracy as anything like an ideal political arrangement - they would both be staggered that, 2,000 years on, the world still celebrates what Kleisthenes started. But that, in a sense, is beside the point.

The lineage claimed by modern democracy may be spurious, but it has been so widely believed by so many for so long that there is no use in disowning it. If classical Athenian democracy is not a durable institution, its mythology certainly is.